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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580

Annual Report 2011

* For identification purposes only

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CORPORATE INFORMATION

Executive Directors
Mr. Xiang Jie *(chairman of the Board)*
Mr. Gong Renyuan *(chief executive officer)*
Mr. Yue Zhoumin
Mr. Huang Xiangqian

Non-executive Directors
Mr. Ye Weigang Greg
Mr. Wong Kun Kau

Independent non-executive Directors
Mr. Wang Yi
Mr. Li Fengling
Mr. Chen Shimin

Authorised representatives
Mr. Yue Zhoumin
Ms. Ma Sau Kuen Gloria

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

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

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

Investment committee
Mr. Li Fengling *(chairman of the investment committee)*
Mr. Xiang Jie
Mr. Ye Weigang Greg
Mr. Wong Kun Kau
Mr. Chen Shimin

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

Legal adviser
Pang & Co. in association with Salans LLP

Auditors
Deloitte Touche Tohmatsu

Compliance adviser
Haitong International Capital Limited

Registered office
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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters
25 Building, No. 99 Kechuang 14th Street, Beijing
Economic-Technological Development Area
Daxing District, Beijing
PRC

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

Principal share registrar and transfer office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

Hong Kong share registrar and transfer office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wan Chai
Hong Kong

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

Listing exchange information
Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 580

Company's website
www.speg.hk

Dear Shareholders,

I am pleased to present on behalf of the Board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2011.

During the year under review, the Group's consolidated turnover amounted to approximately RMB610.3 million, representing an approximately 42.6% increase compared to the previous year. Turnover for the trading of power electronic components and manufacturing of power electronic components accounted for approximately 25.6% and 74.4% of the consolidated turnover, respectively. In monetary terms, we recorded a turnover of approximately RMB156.1 million and RMB454.2 million for the trading of power electronic components and manufacturing of power electronic components, representing a approximately 12.7% and 56.9% increase compared to the previous year, respectively. With the on-going dedication to in-house technological innovation, operational efficiencies and offering quality products, the Group has successfully accomplished business transformation and product diversification.

The Group's manufactured products have continued to be recognised by a broad customer base in the rail transportation, electric power transmission and distribution and sizeable power consumption industries. New products for power quality improvement and savings have been launched and are well accepted by the market. These include rectifiers (矽整流器), thyristor controlled series compensations (or TCSCs) (可控串聯補償裝置), static var compensations (or SVCs) (高壓靜止無功補償器), DC ice melting and static var compensations (or TCScs) (固定直流融冰兼靜止無功補償裝置), removable static var compensators (or RSVCs) (可移動高壓靜止無功補償器), filter capacitor (or FCs) (濾波電容器), solid state transfer switch (or SSTSs) (快速固態切換開關) and static var generators (or SVGs) (靜止無功伏安發生器). More importantly, the Group became the 5th domestic manufacturer with the capability to produce DC ice melting and static reactive power compensation (固定直流融冰兼靜止無功補償裝置) in the People's Republic of China (the "**PRC**"). On the other hand, the distributor agreement for semiconductor products with ABB Switzerland Ltd Semiconductors ("**ABB Switzerland**"), the largest supplier for the Group's distribution business, has been renewed for a term of 5 years starting from 1 December 2011.

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

In light of the appreciation of Swiss Franc ("**CHF**") and its impact on the Group's operations. The Group has assiduously negotiated with ABB Switzerland to reach a mutual agreement on the flexibility of settlement in either CHF or United States dollars ("**USD**"). The Board considers that this currency settlement arrangement not only improves cost efficiencies but also mitigates the impact of volatility of CHF on the Group's results. The Group, however, may still encounter a certain degree of risk associated with the possible USD currency rate movements.

Looking ahead, the PRC economy is expected to grow moderately through the increase in fiscal spending and easing of monetary policies to support domestic demand in particular to boost social and infrastructure investment. The Group's vision is to become a leading enabler of power efficiency and emission reduction in the PRC by providing a comprehensive range of power electronic components, integrated systems and technology solutions in the PRC and abroad. The Group will focus on the PRC rail transportation and electric power distribution and transmission sectors, which are expected to benefit from the investments encouraged by the PRC government's policies.

The Group recognises the importance of product diversification and technological innovation through strengthening its research and development capability. The Group will strive to enlarge its market share and diversify its product offerings, as well as enhance its capability in developing high-end products through proprietary know-how and strategic business alliance with prominent international market leaders. The joint venture with Trainelec, S.L. and Traintic, S.L. of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A. for the manufacture and sale of electronic traction systems, train control and monitoring systems and auxiliary power supply systems is expected to be in operation by 2013.

In addition, the Group will also continue to improve production efficiency, utilisation rate and operational efficiency in its manufacturing facilities in order to achieve sustainable growth. Whilst the global economy is still foreseen to be challenging in the coming years, the management of the Company is committed to dedicate its efforts to lead the entire staff team to promote the Group's development in order to maximise benefits for the shareholders of the Company.

CHAIRMAN'S STATEMENT

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

Last but not least, on behalf of the Board, I would like to take this opportunity to thank the colleagues of our Board and our dedicated staff for their hard works and contributions as well as our business partners for their supports during the year.

Xiang Jie
Chairman

Hong Kong, 27 March 2012

BUSINESS REVIEW

During the year under review, notwithstanding the occurrence of volatile global market economy marked by the slow growth in the United States and the sovereign debts crisis in some euro zone countries, the PRC economy maintained a steady growth. With a series of tightened monetary policies put in place to cut down the consistent high levels of pressure of inflation in the PRC, various fiscal and corporate investments were affected.

In 2011, the rise in both raw material costs and operating costs was still a challenge faced by the Group. As the CHF fluctuated and appreciated significantly during the year, the cost of purchases of the Group increased. In addition, the acquisition of Jiujiang Jiuzheng Rectifier Co., Ltd. ("**Jiujiang Rectifier**") in May 2011 led to the increase in the number of employees which resulted in higher administrative expenses.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB182.3 million, or 42.6%, from RMB428.0 million for the year ended 31 December 2010 to RMB610.3 million for the year ended 31 December 2011 primarily reflecting an increase in sales of manufacturing of power electronic components, in particular, the sale of IGBT power modules and silicon rectifiers.

The following table sets forth the breakdown of the Group's revenue by products and their contribution to the Group's total revenue for the year ended 31 December 2011, with corresponding comparative figures for 2010:

	Year ended 31 December			
	2011	**2011**	2010	2010
	RMB'000	**%**	RMB'000	%
Sales by:				
Trading of power electronic components	**156,128**	**25.6**	138,535	32.4
Manufacturing of power electronic components	**454,183**	**74.4**	289,461	67.6
Total	**610,311**	**100.0**	427,996	100.0

The sales in trading of power electronic components and manufacturing of power electronic components increased by approximately 12.7% and 56.9%, respectively, to approximately RMB156.1 million and RMB454.2 million, respectively, for the year ended 31 December 2011 from RMB138.5 million and RMB289.5 million, respectively, for the corresponding year in 2010.

With the contraction in rail transportation investments in the second half of 2011 in the PRC followed by the high speed rail incident in July 2011, the sales in trading of power electronic components recorded a stable growth of approximately 12.7% in 2011. The sales in trading of power electronic components accounted for approximately 25.6% of the total sales in 2011 as compared to a higher proportion in the previous year which demonstrated that the increment in the Group's manufacturing of power electronic components was larger than the trading of power electronic components in 2011.

The Group's manufacturing of power electronic components achieved a robust growth of approximately 56.9% in 2011 compared to the previous year. This was due to the launch of new products for the energy saving and power improvement applications and the recognition of the Group's high-voltage power capacitors products by state and provincial power grid corporations. In addition, the rise in demand for domestic manufactured products as encouraged by the PRC government and the consolidation of the results following the acquisition of Jiujiang Rectifier during the year also contributed to the growth in sales. The sales in manufacturing of power electronic components accounted for a higher proportion at approximately 74.4% of the Group's sales in 2011 as compared with the previous year, reflecting the great progress the Group has made in transforming itself into a manufacturing-focused business entity.

Cost of sales

Cost of sales increased by approximately 63.3% from RMB313.0 million for the year ended 31 December 2010 to RMB511.2 million for year 2011. The increase primarily reflects the combined effects of increases in sales, higher cost in trading of goods which were denominated in CHF and the higher exchange rate of CHF against the RMB during the year ended 31 December 2011 compared to year 2010.

Gross profit margin

Gross profit decreased by approximately RMB15.9 million, or 13.8%, from approximately RMB115.0 million for the year ended 31 December 2010 to approximately RMB99.1 million for the corresponding period in 2011. The Group's gross profit margin decreased from approximately 26.9% for the year ended 31 December 2010 to approximately 16.2% for the corresponding period in 2011. The decrease was primarily a result of (a) the change in the product mix of the Group's products sold in the year ended 31 December 2011 compared to the year ended 31 December in 2010, (b) the increase in the cost of imported power electronic components and certain raw materials for manufactured goods which were denominated in CHF, which was at a much higher value on average relative to RMB during the year ended 31 December 2011 compared to the year ended 31 December 2010 and (c) the decrease in the average selling prices of the Group's products in general.

The high average CHF: RMB exchange rate for year ended 31 December 2011 contributed to the Group's lower gross profit margin recorded for that year compared to the year ended 31 December 2010.

Investment income

Bank interest income increased from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.2 million for the year ended 31 December 2011 primarily due to an increase in the Group's interest-bearing bank deposits for the year ended 31 December 2011 as compared to last year.

Other gains and losses

Other gains and losses increased to approximately RMB3.4 million (2010: RMB0.3 million) for the year ended 31 December 2011 primarily due to (a) government grants of approximately RMB8.4 million received for the achievements in scientific and technological innovation during the year; (b) recovery of bad debts of approximately RMB3.0 million representing the recovery of bad debts written off by Jiujiang Rectifier before its acquisition by the Group; and (c) offset by loss on fair value change of foreign currency forward contracts of approximately RMB5.1 million and the net foreign exchange losses of approximately RMB3.0 million.

Distribution and selling expenses

Distribution and selling expenses which constituted 7.6% (2010: 3.3%) of the Group's total revenue increased by 231.6% to approximately RMB46.6 million (2010: RMB14.0 million) primarily reflecting an increase in salaries and social welfare paid to the increased number of staff employed and an increase in transportation costs due to the change of product mix and the increase in sales volume as well as advertising and promotion expenses incurred for new product launch and branding.

Administrative and general expenses

Administrative and general expenses increased by 114.7% to approximately RMB86.3 million (2010: RMB40.2 million) for the year ended 31 December 2011 primarily reflecting an increase in staff headcount and other administrative expenses incurred due to the acquisitions of subsidiaries during the year and the share-based payments expenses resulting from the share option granted during the year. The increase in administrative expenses was also attributable to an increase in depreciation for property, plant and equipment and amortisation of intangible assets and prepaid lease payments. Administrative and general expenses constituted approximately 14.1% (2010: 9.4%) of the Group's total revenue for the year ended 31 December 2011.

Other expenses

Other expenses increased to approximately RMB16.6 million (2010: RMB4.3 million) for the year ended 31 December 2011 primarily due to the following expenses incurred during the year: (a) the recognition of approximately RMB5.2 million impairment loss on the Group's trade receivables; and (b) additional RMB4.1 million research and development fees paid in relation to a power electronic component to be applied in the Group's own development and manufacturing of goods.

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years decreased to approximately RMB4.3 million (2010: RMB5.1 million) for the year ended 31 December 2011 primarily due to (a) increase in Hong Kong bank borrowings with lower interest rate during the year ended 31 December 2011; and (b) part of the use of proceeds were used to repay the PRC bank borrowings close to the reporting date of 2010 which decreased the bank borrowings as at 31 December 2010.

Loss before tax

The Group recorded a loss before tax of approximately RMB50.5 million for the year ended 31 December 2011, compared with profit before tax of approximately RMB52.4 million for the year ended 31 December 2010 primarily due to a decrease in gross profit and an increase in operating expenses.

Income tax expense

In spite of the Group's net loss for the year ended 31 December 2011, certain subsidiaries of the Company in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expenses amounting to approximately RMB2.8 million was provided for the year ended 31 December 2011 as compared to the RMB14.9 million for the year ended 31 December 2010.

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

The Group's loss for the year and total comprehensive expense for the year attributable to owners of the Company amounted to approximately RMB59.4 million for the year ended 31 December 2011, compared to the profit and total comprehensive income of approximately RMB37.6 million for the year ended 31 December 2010. The Group's net loss margin, which is calculated as loss attributable to owners of the Company for the year divided by total revenue, changed from a net profit margin of approximately 8.8% in the year ended 31 December 2010 to a net loss margin of approximately 9.7% for the year ended 31 December 2011.

Inventories

The inventory balances increased by approximately 159.0% to approximately RMB175.5 million as at 31 December 2011 (2010: RMB67.7 million) reflecting an increase in both raw materials and work-in-process as a result of the acquisition of Jiujiang Rectifier which has a longer product production cycle.

The average inventory turnover days increased to approximately 86.8 days (2010: 51.2 days) for the year ended 31 December 2011.

Trade receivables

Trade receivables decreased to approximately RMB286.9 million (2010: RMB313.6 million) as at 31 December 2011 and the average trade receivables turnover days decreased to approximately 179.6 days (2010: 187.1 days) for the year ended 31 December 2011 primarily due to the stringent credit control over customers.

Trade and other payables

Trade and other payables increased to approximately RMB198.7 million (2010: RMB194.8 million) as at 31 December 2011 and the average turnover days for trade payables decreased to approximately 106.7 days (2010: 117.1 days) for the year ended 31 December 2011 primarily due to the stringent control over the trade payable.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 2.05 (2010: 3.51). As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB184.5 million (2010: RMB446.0 million), which were mainly denominated in RMB, USD and Hong Kong dollars ("**HKD**"), and short-term bank loans of approximately RMB227.1 million (2010: RMB48.3 million). The increase in short-term bank loans was mainly for working capital purposes. As at 31 December 2011, the Group's gearing ratio measured on the basis of total short-term bank loans to total equity was 27.5%, as compared to 5.8% as at 31 December 2010.

As at 31 December 2010 and 2011, all the Group's bank loans were at variable interest rates, mainly denominated in RMB, and had contractual maturity within one year from the end of the reporting year. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of 5.48% per annum as at 31 December 2011 (2010: 4.61% per annum). During the year under review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency exposure

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

As most of the principal subsidiaries of the Company operate in the PRC, their functional currency is RMB. However, certain purchases of the Group are either denominated in CHF, USD, Euro and HKD, which are currencies other than the functional currency of the relevant entities of the Group and thus expose the Group to foreign currency risk.

Since 2007, the Group has reduced its CHF exposure against RMB by using foreign exchange forward contracts in order to increase its foreign exchange visibility and limit losses. The carrying amount of foreign currency forward contracts outstanding as at 31 December 2011 was RMB0.9 million (as at 31 December 2010: RMB4.2 million).

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2011, the Group's pledged bank deposits of RMB14,857,000 (2010: RMB1,203,000) were principally deposits pledged to banks for the Group's trading finance purpose including issuance of letters of credit. The pledged bank deposits will be released upon settlement of the relevant letters of credit and obligation.

In addition, the Group's bank borrowings were secured by certain trade and notes receivables amounting to approximately RMB96,060,000 (2010: RMB19,760,000) in aggregate and pledged bank deposits amounting to approximately RMB14,857,000 (2010: RMB1,203,000). In 2010, certain of the Group's prepaid lease payment and buildings were also pledged to banks to secure the Group's bank borrowings whilst there was none in 2011.

HUMAN RESOURCES

As at 31 December 2011, the Group employed approximately 660 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

Subsequent to the acquisition of Shanghai Lang Zhi De, Shanghai Lang Zhi De was owned as to 61% by the Group and as to 39% by two non-controlling shareholders. In preparation of the disposal of Shanghai Lang Zhi De in connection with a group restructuring, Shanghai Lang Zhi De distributed its equity interests in Wuhan Langde to its then shareholders in proportions reflecting that of their shareholding in Shanghai Lang Zhi De. In July 2011, the Group disposed of its equity interest in Shanghai Lang Zhi De to an individual unconnected to the Group at a consideration of RMB26,000. After the restructuring exercise, Wuhan Langde remains to be owned as to 61% and 39% by the Group and the two non-controlling shareholders respectively.

Save as disclosed above, the Group did not engage in any material acquisitions or disposals for the year ended 31 December 2011.

On 26 March 2012, the JV Agreement entered into between Jiashan Converter Technology Co. Ltd. (嘉善華瑞賽晶變流技術有限公司) ("**Jiashan Converter Technology**") (a subsidiary of the Company), Trainelec, S.L. and Traintic, S.L. dated 30 June 2011 became effective and a joint venture company (the "**JV Company**") was formed.

The JV Company is owned as to 70% by Jiashan Converter Technology, 24% by Trainelec, S.L. and 6% by Traintic, S.L. The initial registered capital and the initial total investment of the JV Company are RMB5,714,286 and RMB8,163,265, respectively. Upon execution of the agreement for the first project by the JV Company, the registered capital and the total investment of the JV Company shall be increased to RMB28,571,429 and RMB57,142,857, respectively.

PROSPECTS

Looking ahead, the PRC economy is expected to grow moderately through the increase in fiscal spending and easing of monetary policies to support domestic demand in particular to boost social and infrastructure investments. The Group's vision is to become a leading enabler of power efficiency and emission reduction in the PRC by providing a comprehensive range of power electronic components, integrated systems and technology solutions in the PRC and abroad. The Group will focus on the PRC rail transportation and electric power distribution and transmission sectors, which are expected to benefit from the investments encouraged by the PRC government's policies.

The Group recognises the importance of product diversification and technological innovation through strengthening its research and development capability. The Group will strive to enlarge its market share and diversify its product offerings, as well as enhance its capability in developing high-end products through proprietary know-how and strategic business alliance with prominent international market leaders. The joint venture with Trainelec, S.L. and Traintic, S.L. of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A. for the manufacture and sale of electronic traction systems, train control and monitoring systems and auxiliary power supply systems is expected to be in operation by 2013.

In addition, the Group will also continue to improve production efficiency, utilisation rate and operational efficiency in its manufacturing facilities in order to achieve sustainable growth. Whilst the global economy is still foreseen to be challenging in the coming years, the management of the Group is committed to dedicate its efforts to lead the entire staff team to promote the Group's development in order to maximise benefits for the shareholders.

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

EXECUTIVE DIRECTORS

Mr. Xiang Jie, aged 38, is an executive Director, the founder of the Group and the chairman of the Board. Mr. Xiang is primarily responsible for the overall corporate strategy, planning and business development of the Group. After graduating from the Shanghai Maritime University (上海海事大學) in international shipping management in 1995, Mr. Xiang obtained his master degree in business administration from the Maastricht School of Management, the Netherlands in 1999. Mr. Xiang has over 10 years of experience in the power electronic sectors.

Mr. Gong Renyuan, aged 41, is an executive Director, the president of the Group and the chief executive officer of the Company. Mr. Gong joined the Group in 2002. He is primarily responsible for overseeing the overall business of the Group, including devising and implementing business and development strategies and targets. Before joining the Group, he has accumulated over eight years of experience in business operations. In 1993, Mr. Gong completed the programme in business English (外貿英語專科) organised by the Beijing Technology University (北京工業大學). Mr. Gong is the spouse of Ms. Ren Jie, a member of the senior management of the Group. On 27 March 2012, Mr. Gong was appointed as the chief executive officer of the Company and such appointment will become effective on 10 April 2012.

Mr. Yue Zhoumin, aged 41, is an executive Director and a vice president of the Group. Mr. Yue joined the Group in 2009. He is primarily responsible for the strategic planning and development of the Group. Mr. Yue graduated from the Shanghai Maritime University (上海海事大學) with a bachelor degree in economics in 1994. Mr. Yue has extensive experience in corporate and project management and fund raising in the capital markets. He is highly experienced in strategic management and has worked in the strategy division of China COSCO Holdings Company Limited, a company listed on the Stock Exchange with stock code 1919.

Mr. Huang Xiangqian, aged 40, is an executive Director and a vice president of the Group. He is also the general manager of the Group's subsidiary, Wuxi Sunking Power Capacitor Co. Ltd. (無錫賽晶電力電容器有限公司) specialising in the manufacture of power capacitors. He is primarily responsible for the overall operation of this subsidiary as well as overseeing the production and quality of the Group's products. Mr. Huang graduated from the Harbin University of Science and Technology with a bachelor degree in engineering in 1997 and received his internal auditor qualification from the Beijing Zhongdahuayuan Certification Centre in 2004. Mr. Huang has rich experience in the design and production of power capacitors. Before joining the Group in 2008, Mr. Huang worked in the technology department of Nissin Electric Wuxi Co. Ltd. (日新電機(無錫)有公司) for a number of years and had vast expertise in product standardisation process of power capacitors and with HVDC projects.

NON-EXECUTIVE DIRECTORS

Mr. Ye Weigang Greg, aged 43, is a certified public accountant in the United States. Mr. Ye was appointed a non-executive Director in May 2010. Mr. Ye was awarded a bachelor degree in electrical engineering from the Shanghai Jiaotong University (上海交通大學) in 1990, a master degree in accountancy from the Northeast Missouri State University in 1993 and a master degree in business administration from the Harvard Business School in 2001. Mr. Ye has worked for PricewaterhouseCoopers in the United States and was a product marketing group director of Cadence Design Systems, Inc., a leading electronic design automation technology and engineering service company. Mr. Ye is currently a managing partner of NewMargin Ventures. Mr. Ye is also a director of Daqo New Energy Corp., a company listed on the New York Stock Exchange.

Mr. Wong Kun Kau, aged 51, was appointed a non-executive Director in May 2010. Mr. Wong obtained his bachelor degree in social science from The University of Hong Kong in 1982. Mr. Wong 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. Mr. Wong is currently the managing partner of Bull Capital Partners Ltd., a fund management company specialising in direct investment in the Greater China region. 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 also an independent non-executive director of West China Cement Limited, a company listed on the Stock Exchange with stock code 2233.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yi, aged 69, joined the Group as an independent non-executive Director in July 2010. Mr. Wang graduated from the Beihang University (北京航空航天大學). Mr. Wang was the president of China Technology and Economy Investment Consulting Co. Ltd. (中技經投資顧問股份有限公司). Mr. Wang 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 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). Mr. Wang has substantial experience working in the PRC government authorities including experience in policy planning and project approval. Mr. Wang is also an independent director and a member of the Remuneration and Appraisal Committee of China Garments Co., Ltd., a company listed on the Shenzhen Stock Exchange with stock code 000902.

Mr. Li Fengling, aged 63, was appointed an independent non-executive Director in July 2010. In 1975, Mr. Li completed the programme in power engineering (電力工程) organised by the Tsinghua University. He subsequently obtained a master degree from the 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. (北京首都旅遊集團有限責任公司). 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 engages in the electricity and energy saving related business in Beijing. Mr. Li held a number of positions with various companies prior to joining the Group. 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 Corporation (北京經濟技術投資開發總公司). Mr. Li was also the district mayor (區長) of the Chaoyang District of Beijing and the deputy district mayor (副區長) of the Haidian District of Beijing.

Mr. Chen Shimin, aged 54, was appointed an independent non-executive Director in August 2010. Mr. Chen is a certified management accountant registered in the United States, a member of the Institute of Management Accountants of the United States and the American Accounting Association of the United States. Mr. Chen graduated from the Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree and a master degree in economics in 1983 and 1985, respectively. Mr. Chen then obtained a doctoral degree in philosophy from The University of Georgia in 1992. Mr. Chen has been a professor of accounting at China Europe International Business School (中歐國際工商學院) since August 2008. Mr. Chen is also a guest professor and adjunct tutor to Ph.D. students (博士生合作指導教師) at the department of accounting in Nanjing University (南京大學) and the school of accounting of the Shanghai University of Finance and Economics. Mr. Chen has extensive education and research experience in domestic and overseas financial accounting and management accounting and teaching experience in numerous well-known universities. Mr. Chen is also an independent non-executive director and a member of the audit committee of China High Speed Transmission Equipment Group Co., Ltd., a company listed on the Stock Exchange with stock code 658; an independent director and a member 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), a company listed on the Shanghai Stock Exchange; and an independent director and a member of the audit committee of Hangzhou Shunwang Technology Co., Ltd. (杭州順網科技股份有限公司), a company listed on the Shenzhen Stock Exchange.

JOINT SECRETARIES OF THE COMPANY

Ms. Ma Sau Kuen Gloria, aged 53, was appointed a joint company secretary and authorised representative of the Company in November 2010. Ms. Ma has over 30 years of experience in corporate secretarial work including acting as secretary for companies listed on the Stock Exchange, setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. Ms. Ma also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma is a director and the head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a Fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Lau Lap Kwan, aged 62, was appointed a joint secretary of the Company in February 2011. Mr. Lau graduated from Yanshan University (燕山大學) (formerly known as Northeast Heavy Machinery Institute (東北重型機械學院)), majoring in heavy machinery, in 1975. Mr. Lau has accumulated over 35 years of experience in corporate management, administration and corporate finance both in the PRC and Hong Kong.

SENIOR MANAGEMENT

Mr. Jin Jiafeng, aged 39, is the chief financial officer of the Group. Mr. Jin joined the Group in 2008. 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 joining the Group, Mr. Jin worked at KPMG as a supervisor. Mr. Jin also worked at NewMargin Venture Capital as an investment adviser until December 2003. 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.

Ms. Ren Jie, aged 34, has been a vice president of the Group since 2008 and 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 the Xi'an International Studies University (西安外國語學院). Mr. Ren joined the Group in 2002 as a sales manager of the Group's subsidiary, Beijing Sunking Electronic Technology Co. Ltd.* (北京華瑞賽晶電子科技有限公司) and was promoted as its chief operating officer in 2004. Ms. Ren Jie is the spouse of Mr. Gong Renyuan, an executive Director and the chief executive officer of the Company.

Mr. Michael Simon Geissmann, aged 34, is a vice president of the Group who is responsible for overseeing the quality control and overseas business of the Group and reporting the affairs and progress of the Group to the chief executive officer. Mr. Geissmann joined the Group in 2008. Mr. Geissmann graduated from the Swiss Federal Institute of Technology Zurich in 2003 with a diploma in electrical engineering. Before joining the Group, Mr. Geissmann worked at ABB Schweiz AG, Semiconductors where he was in charge of supplier qualification and quality control.

Ms. Bai Xing, aged 30, is a vice president of the Group and is responsible for the Group's overall procurement process and daily operation of the procurement department. Ms. Bai has been with the 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 degree in international business and trade in 2007 and has over eight years of experience in procurement. Ms. Bai is a national registered certified purchasing professional recognised by the China Federation of Logistics and Purchasing (中國物流與採購聯合會).

Mr. Li Jinyan, aged 33, is a vice president of the Group and is responsible for the sales and marketing of the Group's products. Mr. Li has been with the Group after graduating from the University of Science and Technology Beijing (北京科技大學) with a bachelor degree in automation in 2004.

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2011.

The Company places high value on its corporate governance practice and the Board firmly believes that good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the year ended 31 December 2011 and up to the date of this report, the Company has continued to apply the code provisions (the "**Code Provisions**") of the Corporate Governance Code, except for the deviation as set out below:

Code Provision A2.1

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

During the year, the positions of the chairman of the Board and the chief executive officer of the Company had been held by Mr. Xiang Jie. Although this deviates from the practice under the Code Provision A2.1, where the two positions should be held by two different individuals, as Mr. Xiang Jie has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board therefore believes that it is in the best interest of the Company and its shareholders as a whole to continue to have Mr. Xiang Jie as an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting result. In order to comply with the Code Provision, Mr. Gong Renyuan was appointed the chief executive officer of the Company to oversee the overall business of the Group including devising and implementing business and development strategies and targets on 27 March 2012 and such appointment will become effective on 10 April 2012.

BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performances. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chief executive officer. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the investment committee (collectively the "**Committees**"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises four executive Directors, namely Mr. Xiang Jie, Mr. Gong Renyuan, Mr. Yue Zhoumin and Mr. Huang Xiangqian; two non-executive Directors, namely Mr. Ye Weigang Greg and Mr. Wong Kun Kau; and three independent non-executive Directors, namely Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin. The biographies of the Directors are set out under the section headed "Biographies of Directors and senior management" in this annual report.

The non-executive Directors (including the independent non-executive Directors) bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors (including the independent non-executive Directors) make various contributions to the effective direction of the Company.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure that strong independence exists across the Board.

During the year ended 31 December 2011, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmation of independence from the three independent non-executive Directors. The Board has assessed their independence and is satisfied that all the independent non-executive Directors are in full compliance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Non-executive Directors

The term of office for non-executive Directors (including the independent non-executive Directors) is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the Directors for the time being, or if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Corporate Governance Code.

Training for Directors

Every newly appointed Director shall receive an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by the Directors. In addition, the package includes materials on the operations and business of the Group. The Company will subsequently arrange for briefing as is necessary to ensure that the newly appointed Director will have a proper understanding of the business and operations of the Group and that they are aware of their responsibilities under the relevant laws, rules and regulations.

Board meetings

Board meetings are held regularly, at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance record of the Directors at the Board meetings for the year ended 31 December 2011 and up to the date of this report is set out below:

	Attended/ Eligible to attend
Executive Directors	
Mr. Xiang Jie	9/9
Mr. Gong Renyuan	9/9
Mr. Yue Zhoumin	9/9
Mr. Huang Xiangqian	9/9
Non-executive Directors	
Mr. Ye Weigang Greg	9/9
Mr. Wong Kun Kau	9/9
Independent non-executive Directors	
Mr. Wang Yi	9/9
Mr. Li Fengling	8/9
Mr. Chen Shimin	8/9

All Directors have access to the advice and services of the joint secretaries to the Company and have access to the senior management of the Company for enquiries and information when required. The Directors, upon reasonable requests, may also seek independent professional advice at the Company's expense.

Practices and conduct of meetings

Draft agenda of all Board meetings are made available to the Directors in advance.

Where practicable, notices of regular Board meetings and Committee meetings are served on all Directors at least 14 days before the meetings. Board papers are sent to all Directors at least 3 days before each Board meeting or Committee meeting to keep the Directors appraised of the latest developments and the financial position of the Company and to enable them to make informed decisions.

The joint secretaries to the Company are responsible for keeping minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction involving conflict of interests of a substantial shareholder of the Company or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates (as defined under the Listing Rules) have a material interest.

BOARD COMMITTEES

The Board established the audit committee, the remuneration committee and the nomination committee on 19 August 2010 and the investment committee on 28 June 2011 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each Committee reports the outcome of the Committee's meetings to the Board for further discussions and approvals.

Except for the Investment Committee which consists of one executive Director, two non-executive Directors and two independent non-executive Directors, the majority of the members of other Committees are independent non-executive Directors. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expenses.

Audit committee

The audit committee comprises two independent non-executive Directors, Mr. Chen Shimin and Mr. Wang Yi, and one non-executive Director, Mr. Ye Weigang Greg. The audit committee is chaired by Mr. Chen Shimin, who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All members of the audit committee hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The audit committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Group's audited annual financial statements and annual report for the year ended 31 December 2011 had been reviewed by the audit committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The audit committee has not taken any different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors. At the audit committee meeting held on 27 March 2012, the audit committee concluded that it was satisfied with its review of the process and effectiveness, independence and objectivity of Deloitte Touche Tohmatsu.

The audit committee met seven times during the year ended 31 December 2011 and up to the date of this report, in which the members of the audit committee reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and assessed the external auditors for re-appointment. The audit committee meetings were attended by the members of the audit committee, the chief financial officer of the Company and the external auditors. The attendance record of the audit committee is set out below:

Directors	**Attended/ Eligible to attend**
Mr. Chen Shimin *(chairman of the audit committee)*	6/7
Mr. Wang Yi	7/7
Mr. Ye Weigang Greg	7/7

Remuneration committee

The remuneration committee comprises two independent non-executive Directors, Mr. Wang Yi and Mr. Li Fengling, and one non-executive Director, Mr. Wong Kun Kau. The remuneration committee is chaired by Mr. Wong Kun Kau up to 27 March 2012. Under the recently revised Listing Rules, the chairman of the remuneration committee should be an independent non-executive Director. On 27 March 2012, Mr. Wang Yi was appointed the chairman of the remuneration committee and such appointment will become effective on 10 April 2012. The remuneration committee is responsible for, among other functions, making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the specific remuneration packages of all the 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 the Board the remuneration of the non-executive Directors; and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration committee met two times during the year ended 31 December 2011 and up to the date of this report, in which the members of the remuneration committee reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for the year ending 31 December 2012 and made recommendation to the Board to approve the proposals on the fees of the non-executive Directors. The attendance record of the remuneration committee is set out below:

Directors	**Attended/ Eligible to attend**
Mr. Wong Kun Kau *(chairman of the remuneration committee until 10 April 2012)*	2/2
Mr. Wang Yi *(chairman of the remuneration committee with effect from 10 April 2012)*	2/2
Mr. Li Fengling	2/2

Nomination committee

The nomination committee comprises two independent non-executive Directors, Mr. Li Fengling and Mr. Chen Shimin, and one executive Director, Mr. Gong Renyuan. The nomination committee is chaired by Mr. Li Fengling. The nomination committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, in particular, candidates deemed by the nomination committee to be value-adding to the management through their contributions in strategic business areas and whose appointment will lead to a strong Board; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Directors and succession planning for the Directors in particular the chairman of the Board and the chief executive officer of the Company.

The nomination committee met two times during the year ended 31 December 2011 and up to the date of this report, in which the members of the nomination committee discussed and made recommendations to the Board on the re-election of retiring Directors, and reviewed the annual confirmation of independence of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The attendance record of the nomination committee is set out below:

Directors	**Attended/ Eligible to attend**
Mr. Li Fengling *(chairman of the nomination committee)*	2/2
Mr. Chen Shimin	2/2
Mr. Gong Renyuan	2/2

Investment committee

The investment committee comprises two independent non-executive Directors, Mr. Li Fengling and Mr. Chen Shimin, two non-executive Directors, Mr. Ye Weigang Greg and Mr. Wong Kun Kau and one executive Director, Mr. Xiang Jie. The investment committee is chaired by Mr. Li Fengling. The investment committee is responsible for making recommendation to the Board regarding investments in fixed assets (both tangible and intangible), equity, debt, financial securities, restructuring and joint venture.

The investment committee met once during the period from 28 June 2011, the date of its establishment to 31 December 2011 and up to the date of this report, in which the members of the investment committee members discussed and made recommendations to the Board on the change of use of proceeds. The attendance record of the investment committee is set out below:

Directors	**Attended/ Eligible to attend**
Mr. Li Fengling *(chairman of the investment committee)*	0/1
Mr. Chen Shimin	1/1
Mr. Ye Weigang Greg	1/1
Mr. Wong Kun Kau	1/1
Mr. Xiang Jie	1/1

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The senior management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid and payable to the external auditors of the Company in respect of statutory audit service was approximately RMB4.4 million.

INTERNAL CONTROL

The Board is responsible for internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective internal controls.

The internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by the human resources, information systems and financial practice. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all business units to guide their business operations. All business units are required to produce annual budgets for the senior management's approval. The heads of all business units are required to assess the risk factors attributed to their businesses. In addition, all business units shall submit monthly management reports with comparisons between actual and budget results and give explanations and solutions for major variances.

Extensive financial controls, procedures, self-assessment exercises and risk activities are reviewed by the Group's finance department, which is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring existence of an effective internal control system in all business units. The finance department performs independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the audit committee its findings and makes recommendations to improve the internal controls of the Group.

All key controls within the framework will be tested periodically by the finance department. External auditors will also test key controls for those processes which are most critical to producing complete and accurate financial reports. Semi-annual confirmations from chief executives of principal subsidiaries are obtained as to whether the internal controls are working properly and if any remedial actions are required on areas where control weaknesses are noted. External auditors also advise the senior management on whether the controls are in place and effective to ensure a proper financial controlling and reporting process of the Group.

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Group conducts its affairs with close attention to the "Guide on Disclosure of Price-Sensitive Information" issued by the Stock Exchange, and has also implemented guidelines and procedures for dealings in its securities by the Directors.

During the year ended 31 December 2011, the Board, through the audit committee, had conducted review on the effectiveness of the internal control system of the Company, and considered the internal control system to be effective and adequate and concluded that there were no significant areas of concern which might affect shareholders' interests.

COMMUNICATIONS WITH SHAREHOLDERS

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group's performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group's business. The chairman of the Board and the chairmen of the Committees, or in their absence, other members of the respective Committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

CORPORATE INFORMATION AND GROUP REORGANISATION

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

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

Details of the Group Reorganisation are set out in note 1 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are trading of power electronic components and manufacture of power electronic components.

Details of the principal activities of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

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

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and its state of affairs as at that date are set out in the consolidated financial statements on pages 27 to 87 of this annual report.

No dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2011.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the Listing.

On 2 December 2011, the Company announced that given the latest development of the Group's operations and business and the combination of research and development and production of the Group, the Board considered it would be beneficial to the Company and in the interest of the shareholders of the Company as a whole that the amounts originally allocated to the establishment of integrated research and development centre, being approximately HK$118.6 million, be reallocated as general working capital of the Group.

As at 31 December 2011, approximately RMB21.8 million (equivalent to approximately HK$25.3 million) was utilized for building of the SVC research and development centre in Beijing. Base on the proposed change in use of proceeds, the remaining net proceeds retained for research and development of new products and systems amount to approximately HK$34.0 million. The Directors consider that such amount of approximately HK$34.0 million is sufficient for research and development of new products and systems in the foreseeable future.

As at 31 December 2011, out of the total net proceeds from the Listing, approximately RMB284.3 million was utilised for repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development and working capital and general corporate expenses.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 88 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

Prior to the Listing, the Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 23 September 2010 which became effective and unconditional upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to the Eligible Participants (as defined in the section headed "Share Option Scheme" in the prospectus of the Company dated 30 September 2010 as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to Eligible Participant to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 136,604,000 shares of the Company, being 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each Eligible Participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years. Under the Share Option Scheme, each option has a 10-year exercise period unless otherwise determined by the Board.

Details of movements in the share options under the Share Option Scheme for the year ended 31 December 2011 and share options outstanding as at the beginning and end of the year are set out below:

Name of grantees	Date of grant	As at 1 January 2011	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2011	Exercise price per share *(HK$)*	Share price immediately before the grant date *(HK$ per share)*	Fair value of share options *(HK$ per share)*	Exercisable period
Executive Directors and their associates:											
Mr. Xiang Jie *(Chairman, executive Director and substantial shareholder of the Company)*	27 April 2011	–	– (Note 1)	–	–	– (Note 1)	–	1.83	–	–	27 April 2012-26 April 2017
Mr. Gong Renyuan *(Chief executive officer and executive Director)*	27 April 2011	–	7,510,000	–	–	(6,160,000) (Note 2)	1,350,000	1.83	1.72	0.83	27 April 2012-26 April 2017
Mr. Yue Zhoumin *(executive Director)*	27 April 2011	–	420,000	–	–	–	420,000	1.83	1.72	0.83	27 April 2012-26 April 2017
Mr. Huang Xiangqian *(executive Director)*	27 April 2011	–	700,000	–	–	–	700,000	1.83	1.72	0.83	27 April 2012-26 April 2017
Ms. Ren Jie *(senior management and the spouse of Mr. Gong Renyuan)*	27 April 2011	–	420,000	–	–	–	420,000	1.83	1.72	0.81	27 April 2012-26 April 2017
		–	9,050,000	–	–	(6,160,000)	2,890,000				
Employees in aggregates		–	8,230,000	–	–	(630,000)	7,600,000	1.83	1.72	0.79	
Other grantees		–	4,000,000	–	–	–	4,000,000	1.83	1.72	0.83	
Total		–	21,280,000	–	–	(6,790,000)	14,490,000				

Notes:

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

2. Cancelled voluntarily subsequent to the grant.

Further details of the Scheme are disclosed in note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands (the "**Companies Law**"), amounted to approximately RMB401 million (2010: RMB421 million), of which nil dividend was proposed for the year. Under the Companies Law, the share premium account of the Company of approximately RMB400.5 million as at 31 December 2011 (2010: RMB400.7 million) is distributable to the shareholders of the Company subject to the provisions of its memorandum and articles of association and provided that immediately following the date on which the dividend, if any, is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Mr. Xiang Jie
Mr. Gong Renyuan
Mr. Yue Zhoumin
Mr. Huang Xiangqian

Non-executive Directors
Mr. Ye Weigang Greg
Mr. Wong Kun Kau

Independent non-executive Directors
Mr. Wang Yi
Mr. Li Fengling
Mr. Chen Shimin

In accordance with Article 84(1) of the Company's articles of association, Mr. Xiang Jie, Mr. Huang Xiangqian and Mr. Wang Yi will retire by rotation and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out on pages 10 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing. Each of the non-executive Directors has been appointed for a term of three years commencing from the date of the Listing. The independent non-executive Directors, namely Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin, have been appointed for a term of three years commencing from 1 July 2010, 1 July 2010 and 19 August 2010, respectively.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the remuneration committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 10 and 11, respectively, to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares of the Company:

Name of Director	Nature of interest	Total number of shares held (Note 1)	Approximate percentage of interest in the Company (Note 3)
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	416,328,347 (L) (Note 2)	30.5%
Mr. Gong Renyuan	Beneficial owner	18,060,000 (L)	1.3%
Mr. Yue Zhoumin	Beneficial owner	4,000,000 (L)	0.3%
Mr. Huang Xiangqian	Beneficial owner	6,000,000 (L)	0.4%

Notes:

1. The letter "L" denotes the Director's long position in the shares of the Company.

2. Out of these 416,328,347 shares, 700,000 shares were directly held by Mr. Xiang Jie and the remaining 415,628,347 shares were held by Max Vision Holdings Limited ("**Max Vision**"), which in turn was wholly and beneficially owned by Mr. Xiang. Mr. Xiang is deemed under the SFO to be interested in the 415,628,347 shares held by Max Vision.

3. There were 1,365,580,000 shares of the Company in issue as at 31 December 2011.

(b) Long positions in underlying shares upon the exercise of the share options:

The Directors have been granted share options under the Share Option Scheme, details of which are set out in paragraph headed "Share capital and Share Option Scheme" above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2011 and up to the date of this annual report were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executive of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of interest	Total number of shares held *(Note 1)*	Approximate percentage of interest in the Company *(Note 5)*
Max Vision	Beneficial owner	415,628,347 *(L)*	30.4%
Meng Fankun	Interest of spouse	416,328,347 *(L) (Note 2)*	30.5%
NewMargin Growth Fund L.P.	Beneficial owner	200,000,000 *(L)*	14.6%
Common Goal Holdings Limited ("**Common Goal**")	Beneficial owner	89,570,000 *(L)*	6.6%
Peregrine Greater China Capital Appreciation Fund, L.P. ("**Peregrine Greater China**")	Interest in controlled corporation	89,570,000 *(L) (Note 3)*	6.6%
Bull Capital Partners GP Limited ("**Bull Capital**")	Interest in controlled corporation	89,570,000 *(L) (Note 4)*	6.6%

Notes:

1. The letter "L" denotes the entity's long position in the securities.

2. Ms. Meng Fankun, the spouse of Mr. Xiang Jie, is deemed under the SFO to be interested in the 416,328,347 shares in which Mr. Xiang was interested.

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

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

5. There were 1,365,580,000 shares of the Company in issue as at 31 December 2011.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. Xiang Jie and Max Vision, in respect of their compliance with the non-competition undertaking. The independent non-executive Directors have reviewed such undertaking and are of the view that Mr. Xiang and Max Vision have complied with the non-competition undertaking during the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Month of purchase in 2011	No of shares purchased	Consideration per shares Highest HK$	Consideration per shares Lowest HK$	Aggregate consideration paid HK$
September	460,000	0.66	0.50	269,720

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There were no provisions of pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

DONATIONS

During the year ended 31 December 2011, charitable donations of RMB50,000 were made by the Group (2010: RMB20,000).

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's major supplier accounted for approximately 55.2% (2010: 74.5%) of the Group's total purchases. The Group's five largest suppliers accounted for approximately 68.1% (2010: 87.2%) of the Group's total purchases.

In the year under review, the Group's sale to its five largest customers accounted for approximately 48.0% (2010: 61.1%) of the Group's total sale. The Group's largest customer accounted for approximately 21.0% (2010: 25.5%) of the Group's total sales.

None of the Directors or any of their associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or five largest suppliers.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The audit committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignation or dismissal of that auditor; monitoring integrity of the financial statements, the annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The audit committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2011. The consolidated financial statements for the year ended 31 December 2011 have been audited by the Group's external auditors, Deloitte Touche Tohmatsu.

CORPORATE GOVERNANCE

The Company has published its corporate governance report, which is set out on pages 13 to 18 of this annual report.

AUDITOR

During the year, Deloitte Touche Tohmatsu was appointed as the Group's external auditors.

On behalf of the Board

Xiang Jie
Chairman

Hong Kong, 27 March 2012

Deloitte.
德勤

TO THE MEMBERS OF SUN.KING POWER ELECTRONICS GROUP LIMITED.
賽晶電力電子集團有限公司
(FORMERLY KNOWN AS SUN.KING POWER ELECTRONICS GROUP LIMITED AND SUN.KING POWER ELECTRONICS GROUP LTD.)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 87, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	6	**610,311**	427,996
Cost of sales		**(511,239)**	(313,044)
Gross profit		**99,072**	114,952
Investment income and other gains and losses	7	**4,611**	1,085
Distribution and selling expenses		**(46,573)**	(14,046)
Administrative and general expenses		**(86,294)**	(40,199)
Other expenses	8	**(16,586)**	(4,280)
Interest on bank borrowings wholly repayable within five years		**(4,339)**	(5,099)
Share of results of jointly controlled entities		**(380)**	30
(Loss) profit before tax	9	**(50,489)**	52,443
Income tax expense	12	**(2,793)**	(14,851)
(Loss) profit and total comprehensive (expense) income for the year		**(53,282)**	37,592
(Loss) profit attributable to:			
Owner of the Company		**(59,360)**	37,592
Non-controlling interests		**6,078**	–
		(53,282)	37,592
		RMB cents	RMB cents
(Losses) earnings per share	13		
– basic		**(4.35)**	3.42
– diluted		**(4.35)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**211,897**	136,190
Deposits paid for acquisition of property, plant and equipment		**8,908**	17,757
Deposits paid for prepaid lease payments		**7,117**	–
Prepaid lease payments	*15*	**56,387**	36,585
Intangible assets	*16*	**26,373**	561
Interests in jointly controlled entities	*17*	**–**	3,655
Available-for-sale investment	*18*	**–**	3,540
Club memberships	*19*	**2,534**	1,734
Goodwill	*20*	**40,357**	–
Trade receivables	*22*	**25,206**	–
Deferred tax assets	*29*	**4,341**	–
		383,120	200,022
CURRENT ASSETS			
Inventories	*21*	**175,479**	67,740
Trade and other receivables	*22*	**497,522**	376,820
Amount due from a director	*23*	**–**	22
Deposits and prepayments		**14,103**	2,028
Other financial assets	*24*	**–**	4,739
Prepaid lease payments	*15*	**1,041**	767
Pledged bank deposits	*25*	**25,110**	1,203
Bank balances and cash	*25*	**184,452**	446,016
		897,707	899,335
		1,280,827	1,099,357

(Continued)

	NOTES	2011 RMB'000	2010 RMB'000
CURRENT LIABILITIES			
Trade and other payables	26	**198,745**	194,827
Other financial liabilities	24	**886**	–
Bank borrowings	27	**227,130**	48,324
Tax payables		**12,193**	12,883
		438,954	256,034
Net current assets		**458,753**	643,301
Total assets less current liabilities		**841,873**	843,323
NON-CURRENT LIABILITIES			
Deferred income	28	**3,143**	3,524
Deferred tax liabilities	29	**11,649**	5,167
		14,792	8,691
		827,081	834,632
CAPITAL AND RESERVES			
Share capital	30	**117,385**	117,425
Reserves		**663,899**	715,707
Equity attributable to owners of the Company		**781,284**	833,132
Non-controlling interests		**45,797**	1,500
TOTAL EQUITY		**827,081**	834,632

The consolidated financial statements on pages 29 to 87 were approved and authorised for issue by the Board of Directors on 27 March 2012 and are signed on its behalf by:

Xiang Jie
DIRECTOR

Yue Zhoumin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Deemed contribution reserve RMB'000 *(note a)*	Share option reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000 *(note b)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010	–	–	8,471	–	–	206,367	17,162	232,000	–	232,000
Profit and total comprehensive income for the year	–	–	–	–	–	–	37,592	37,592	–	37,592
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,500	1,500
Recognition of equity-settled share-based payment	–	–	2,904	–	–	–	–	2,904	–	2,904
Exchange of shares upon group reorganisation *(Note 30(c)(d))*	88,070	(88,070)	–	–	–	–	–	–	–	–
Issues of shares pursuant to initial public offering *(Note 30(e))*	29,355	537,203	–	–	–	–	–	566,558	–	566,558
Transaction costs attributable to issue of shares	–	(48,441)	–	–	–	–	–	(48,441)	–	(48,441)
Contributions	–	–	–	–	–	42,519	–	42,519	–	42,519
Balance at 31 December 2010	117,425	400,692	11,375	–	–	248,886	54,754	833,132	1,500	834,632
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	(59,360)	(59,360)	6,078	(53,282)
Acquisition of additional interest in a subsidiary *(note c)*	–	–	–	–	–	–	–	–	(1,500)	(1,500)
Partial disposal of interest in a subsidiary *(note c)*	–	–	–	–	–	–	–	–	3,500	3,500
Acquisition of subsidiaries *(Note 34)*	–	–	–	–	–	–	–	–	21,548	21,548
Disposal of a subsidiary *(Note 17)*	–	–	–	–	–	–	–	–	(23)	(23)
Recognition of equity-settled share-based payment *(Note 31)*	–	–	2,480	5,253	–	–	–	7,733	14,694	22,427
Repurchase of own shares *(Note 30(f))*	(40)	(181)	–	–	40	–	(40)	(221)	–	(221)
Balance at 31 December 2011	**117,385**	**400,511**	**13,855**	**5,253**	**40**	**248,886**	**(4,646)**	**781,284**	**45,797**	**827,081**

notes:

(a) Deemed contribution reserve representing share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Ltd. 賽晶集團有限公司 ("Sunking BVI"), a former shareholder of the Company, without charging the Group in prior years. As a result, the amounts involved were accounted for as deemed contribution from Sunking BVI.

(b) Other reserve mainly represents certain waiver of loans and/or advances by Sunking BVI to the Group in prior years. In October 2010, Sunking BVI further waived RMB42,519,000 advanced to the Group.

(c) The Group initially held 85% of equity interest in Jiashan Sunking Converter Technology Co., Ltd. ("Sunking Converter") and further acquired the rest of 15% equity interest from the then non-controlling shareholder in May 2011 at a cash consideration of RMB1.5 million, resulting in the Group's wholly control over Sunking Converter. In June and July 2011, in an attempt to seeking new business partners toward Sunking Converter's future development, the Group disposed of 20% and 15% of equity interests in Sunking Converter to another PRC enterprise and a PRC individual, both not connected to the Group, at a consideration of RMB2 million and RMB1.5 million, respectively. As Sunking Converter remains inactive since its establishment in March 2010, the changes in ownership interests result in an insignificant difference between the equity transferred and the consideration paid or received. The aggregate proceeds of RMB3.5 million arose from the disposals remain unsettled as at 31 December 2011.

	Note	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(50,489)**	52,443
Adjustments for:			
Finance costs		**4,339**	5,099
Interest income		**(1,174)**	(801)
Loss on disposal of a subsidiary		**9**	–
Changes in fair value of equity interests in investees	*35*	**(403)**	–
Share of result of jointly controlled entities		**380**	(30)
Depreciation and amortisation of property, plant and equipment and intangible assets		**19,336**	5,771
Allowance for doubtful debts		**5,157**	1,523
Write-down of inventory		**3,861**	1,104
Release of prepaid lease payment		**960**	360
Amortisation of deferred income		**(381)**	(286)
Net unrealised foreign exchange losses		**1,649**	4,906
(Loss) gain on fair value of foreign currency forward contracts		**5,114**	(4,179)
(Gain) loss on fair value changes of embedded derivatives		**(31)**	864
Loss on disposal of property, plant and equipment		**206**	62
Share-based compensation expenses		**22,427**	2,904
Operating cash flow before movements in working capital		**10,960**	69,740
Increase in inventories		**(11,488)**	(48,707)
Increase in trade and other receivables		**(167,844)**	(217,308)
(Increase) decrease in deposits and prepayments		**(12,075)**	918
(Decrease) increase in trade and other payables		**(90,604)**	120,880
Decrease in other financial assets		**–**	1,246
Cash used in operations		**(271,051)**	(73,231)
Income taxes paid		**(13,599)**	(10,292)
Interest paid		**(4,961)**	(5,099)
NET CASH USED IN OPERATING ACTIVITIES		**(289,611)**	(88,622)

(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(55,288)**	(50,638)
Acquisition of subsidiaries	34	**(51,694)**	–
Placement of pledged bank deposits		**(26,284)**	3,034
Deposits for acquisition of property, plant and equipment and prepaid lease payments		**(16,025)**	(17,757)
Acquisition of club membership		**(800)**	(1,734)
Acquisition of prepaid lease payments		**(627)**	(20,336)
Acquisition of intangible assets		**(125)**	(269)
Release of pledged bank deposit		**2,377**	–
Interest received		**1,174**	801
Proceeds on disposal of a subsidiary	17	**23**	–
Repayment from a director		**22**	1,712
Acquisition of jointly controlled entities		**–**	(5,000)
Acquisition of available-for-sale investment		**–**	(1,425)
Proceeds on disposal of property, plant and equipment		**–**	333
Advance to a director		**–**	(1,694)
NET CASH USED IN INVESTING ACTIVITIES		**(147,247)**	(92,973)
FINANCING ACTIVITIES			
New bank borrowings raised		**609,338**	161,346
Repayment of borrowings		**(430,532)**	(133,022)
Acquisition of additional interest in a subsidiary		**(1,500)**	–
Repurchase of own shares		**(221)**	–
Proceeds from issue of shares		**–**	566,558
Expenses on issue of shares		**–**	(41,778)
Advance from a former shareholder		**–**	35,038
Capital contributed from non-controlling shareholders		**–**	1,500
NET CASH FROM FINANCING ACTIVITIES		**177,085**	589,642
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(259,773)**	408,047
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**446,016**	38,946
Effects of foreign exchange rate changes		**(1,791)**	(977)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**184,452**	446,016

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 19 March 2010. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 October 2010. In the opinion of the directors, the Company's immediate and ultimate holding company is Max Vision Holdings Limited, which in turn is controlled by Mr. Xiang Jei ("Mr. Xiang"), the founder and a director of the Company.

The addresses of the registered office and principal place of the Company are disclosed in the "Corporate Information" section to the Annual Report. The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39.

Pursuant to a special resolution passed on 21 June 2011, the name of the Company changed from Sun. King Power Electronics Group Limited to Sun.King Power Electronics Group Ltd. and then subsequently from Sun.King Power Electronics Group Ltd. to Sun.King Power Electronics Group Limited 賽晶電力電子集團有限公司.

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

The consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2010 prepared in accordance with the principles of merger accounting include the financial statements of the companies then comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the period or since their respective dates of incorporation or establishment whichever is the shorter period.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its principal subsidiaries operate.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of IASB.

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

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and revised Standards and Interpretations applied in the current year *(continued)*

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

IFRS 7 (Amendments)	Disclosures: Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Government Loans[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 9 Financial Instruments *(continued)*

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and are of the opinion that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided that IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are applied early at the same time.

The directors of the Company anticipate that IFRS 12 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and are of the opinion that it is not practicable to provide a reasonable estimate in respect of the extensive disclosure as required under IFRS 12 until a detailed review has been completed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that that this standard will be adopted in the Group's consolidated financial statements for the annual period ending 31 December 2013 and that the application of IFRS 13 may result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The directors of the Company anticipate that this standard will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 are included in the consolidated 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 statements 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated 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 consolidated 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 consolidated 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

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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets and the liabilities assumed are recognised at their fair values at the acquisition date, 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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; 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 net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation 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. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in standard.

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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generated units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds the Group's interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed or the passing of possession to the buyer, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income 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 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 as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payment

Prepaid lease payment representing land use rights in the People's Republic of China ("PRC") are stated at cost and amortised on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 that date. 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 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 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Club memberships

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of the club membership are measured at the difference between the net disposal proceeds and the carrying amount of the club membership and are recognised in profit or loss in the period when the club membership is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 other 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 associated with investments in subsidiaries and interests in jointly controlled entities, 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 the 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 in which the liability is settled or the asset realised, based on tax rates (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.

Current or deferred tax for the year is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill share)

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised 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

Financial assets are classified into financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is on initial recognition part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 investment have been affected.

For all loans and receivables financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the loans and receivables financial asset's original effective interest rate. If, in a subsequent period, the amount of impairment 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost using the effective interest method.

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 (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities, when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity settled share-based payment transactions

Shares of Sunking BVI ("BVI Shares")/share options granted to employees of the Group

The fair value of service received, determined by reference to the fair value of BVI Shares/share options granted at the grant date, is expensed as staff costs on a straight-line basis over the vesting period, with a corresponding increase in equity (Deemed contribution reserve and Share option reserve respectively).

At the end of each reporting period, the Group revises its estimates of the number of the BVI Shares/share options 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 the deemed contribution reserve/share option reserve respectively.

The Group cancels and forfeits the BVI Shares/share options as a result of resignation/termination of employees. For cancellation of BVI Shares/share options where the vesting period of the shares has not completed, the relevant recognised share-based payment was to reverse to profit or loss if it was previously charged to the profit or loss. For forfeiture of BVI Shares/share options where the vesting period of the BVI Shares/share options has completed, the relevant recognised share-based payment was credited to retained profit, but not reversed, with a corresponding adjustment to the deemed contribution reserve and share option reserve respectively.

BVI Shares/share options granted to consultants

BVI Shares/share options granted in exchange for services are measured at the fair values of the services received unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the BVI Shares/share options granted. The fair value of the service received is recognised as expense, with a corresponding increase in equity (Deemed contribution reserve and Share option reserve respectively), when the counterparties render service, unless the service qualify for recognition as assets.

Subsidiary company shares granted to non-controlling equity holders

Subsidiary company's shares granted in exchange for services to the subsidiary companies are measured at the fair values of the services received unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the subsidiary companies. In the absence of specifically identifiable services, the fair value of the service received is recognised as expense, with a corresponding increase in equity (Non-controlling interests), when other circumstances may indicate that services have been or will be received unless the service qualify for recognition as assets.

4. 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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 2011 and 2010, the carrying amounts of trade receivables were approximately RMB286,891,000 (net of allowance of RMB5,550,000) and RMB313,556,000 (net of allowance of RMB393,000), respectively.

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. 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 the value of inventories in that period. As at 31 December 2011 and 2010, the carrying amount of inventories was approximately RMB175,479,000 (net of write-down of RMB4,695,000) and RMB67,740,000 (net of write-down of RMB1,104,000), respectively.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write off or write down obsolete or non-strategic assets that have been abandoned. Change in these estimations may have a material impact on the results of the Group. As at 31 December 2011 and 2010, the carrying amount of property, plant and equipment was approximately RMB211,897,000 and RMB136,190,000 respectively.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of goodwill and intangible assets as at 31 December 2011 were RMB40,357,000 and RMB26,373,000 (2010: Nil and RMB561,000), respectively. Details of impairment test on goodwill and intangible assets are set out in Note 20.

Recognition of deferred tax assets

The amount of the deferred tax assets includes in the consolidated financial statements of the Group is recognised only to the extent that it is possible that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when they will be realised. As at 31 December 2011, the carrying amount of deferred tax assets were approximately RMB4,341,000 (2010: Nil).

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (representing short-term bank borrowings as disclosed in Note 27), cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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:

	2011 **RMB'000**	2010 RMB'000
Financial assets		
FVTPL:		
Foreign exchange forward contracts	–	4,228
Embedded derivatives	–	511
Available-for-sale investments	–	3,540
Loan and receivables (including cash and cash equivalents)	**716,140**	816,370
	716,140	824,649
Financial liabilities		
Amortised cost	**384,155**	219,319
At FVTPL	**886**	–
	385,041	219,319

Financial risk management objectives and policies

The Group's major financial instruments include foreign exchange forward contracts, embedded derivatives, available-for-sale investment, trade and other receivables, amount due from a director, other financial assets, pledged bank deposits, bank balances and cash, trade and other payables, other financial liabilities and short-term bank borrowings. 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.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk management

The primary economic environment in which most of the principal subsidiaries of the Group operate is the PRC and their functional currency is RMB. However, certain bank balances and certain purchases together with the account payables of the Group are denominated in Swiss Franc ("CHF"), United States dollar ("US$"), Euro ("EUR") and Hong Kong dollar ("HK$"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

The carrying amount of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2011 **RMB'000**	2010 RMB'000
Assets		
US$	**27,994**	88,557
CHF	**1,734**	2,145
EUR	**1,036**	319
HK$	**1,606**	71,660
Liabilities		
US$	**(69,255)**	(2,627)
CHF	**(2,152)**	(134,117)
EUR	**(1,483)**	(233)
HK$	**–**	(43)

Foreign currency sensitivity analysis

The Group's sensitivity of fluctuation in EUR is low as EUR denominated monetary assets and liabilities are immaterial in amount.

The following table details the sensitivity to a 5% (2010: 5%) change in RMB against US$, CHF and HK$. 5% (2010: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates a decrease (increase) in loss for the year (2010: an increase (decrease) in profit for the year) where the relevant foreign currencies strengthen 5% (2010: 5%) against RMB. For a 5% (2010: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact with equal amounts on the post-tax loss for the year (2010: post-tax profit for the year).

	2011 **RMB'000**	2010 RMB'000
US$ impact	**(2,064)**	4,297
CHF impact	**(21)**	(6,599)
HK$ impact	**80**	3,581

In addition, the Group also reduced its CHF and US$ exposure against RMB by using exchange forward contracts. The carrying amounts of outstanding foreign currency forward contracts are as follows:

	2011 **RMB'000**	2010 RMB'000
Foreign currency forward contracts to buy CHF and US$ using RMB	**(886)**	4,228

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk management *(continued)*

Foreign currency sensitivity analysis *(continued)*

The following table details the Group's sensitivity to a 5% (2010: 5%) change in RMB against CHF and US$ 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 the reporting year for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss for the year (2010: an increase in profit for the year) where CHF and US$ strengthens 5% (2010: 5%) against RMB. For a 5% (2010: 5%) weakening of CHF and US$ against RMB, there would be an opposite impact with equal amount on the loss for the year (2010: profit for the year).

	2011 **RMB'000**	2010 RMB'000
Foreign currency forward contracts impact	**4,286**	3,656

Interest rate risk

The Group's fair value interest rate risk relates to its fixed-rate bank borrowings (2010: fixed-rate bank borrowings). The Group's cash flow interest rate risk relates primarily to its variable-rate bank balances and pledged bank deposits. The Group currently has not entered into interest rate swaps to hedge against their exposure to fair value interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate when the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's variable-rate bank deposits and pledged bank deposits (2010: variable-rate bank deposits and pledged bank deposits).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank deposits and pledged bank deposits (2010: variable-rate bank balances and pledged bank deposits) at the end of the reporting period. The analysis is prepared assuming the amount of the outstanding at that date was outstanding for the whole year. 25 basis points (2010: 25 basis points) increase or decrease for bank balances and pledged bank deposits in 2011 (2010: variable-rate bank balances and pledged bank deposits) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2010: 25 basis points) higher/lower for bank balances and pledged bank deposits, and all other variables were held constant, the loss for the year would decrease/increase by RMB581,000 (2010: profit for the year would increase/decrease by RMB1,118,000).

Other price risk

For the year ended 31 December 2010, the Group was exposed to other price risk in relation to embedded derivatives, which are call and put options in connection with its investment in Lang Zhi De. Changes in the equity fair value and revenue volatility of Lang Zhi De would affect the loss from changes in fair values of embedded derivatives recognised in the consolidated statement of comprehensive income.

In the opinion of management, the Group did not have significant exposure to other price risk at 31 December 2010 because the increase or decrease of fair value of embedded derivatives as a result of estimated change in equity fair value and revenue volatility of Lang Zhi De was not expected to be significant. Accordingly, no sensitivity analysis had been presented.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

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 consolidated statement of financial position.

In order to minimise the credit risk relating to trade receivables, 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 the 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 74% (2010: 81%) of the bank balances as at 31 December 2011 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 with high credit ratings.

The Group has concentration of credit risk in respect of note receivables. Approximately 55% (2010: 58%) of the note receivables balances as at 31 December 2011 were issued by three major banks. The credit risk on note receivables is limited because the counterparties are state-owned banks located in the PRC.

The Group's credit risk on receivable from partial disposal of a subsidiary is limited as the counterparties have sound financial background.

The Group has concentration of credit risk in respect of pledged bank deposits. Approximately 86% (2010: 90%) of the pledged bank deposits as at 31 December 2011 were issued by three banks (2010: one bank). The Group's credit risk on pledged bank deposits is limited because the counterparties are state-owned banks located in the PRC with high reputation.

Certain trade accounts receivable ("TAR") individually accounted for more than 5% of the Group's total trade accounts receivable, before allowance for doubtful debts, as at the end of the reporting period. Their amounts and percentages to total TAR as at the end of the reporting period are as follows:

	2011 TAR		2010 TAR	
Customer	**RMB'000**	**%**	RMB'000	%
A	**73,149**	**25**	94,573	30
B	**18,602**	**6**	–	*
C	**16,848**	**6**	–	*
D	**15,960**	**5**	–	*
E	**13,944**	**5**	–	*
F	**–**	**#**	70,842	23
G	**–**	**##**	31,724	10

* B, C, D, E are customers of a newly acquired subsidiary in 2011. Accordingly, they were not customers of the Group in 2010.

\# F was acquired by the Group in 2011. Accordingly, it ceased to be a customer in 2011.

\## G's TAR balance as at 31 December 2011 is less than 5% as certain transactions with G were settled through notes receivable during the year ended 31 December 2011 whilst in 2010, the use of notes receivable to settle by G was insignificant.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Credit risk management *(continued)*

The Group has concentration of credit risk as 45% (2010: 63%) of the total trade receivables was due from five (2010: three) customers. In order to minimise 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. Customer A is a reputable state-owned enterprise. In addition to the normal credit review and follow-up procedures on over-due balances, the management of the Group monitors their financial positions regularly to ensure the recoverability is not impaired.

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 Group's remaining contractual maturity for its non-derivative financial liabilities. The maturity dates for other non-derivative financial liabilities are determined based on the agreed repayment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	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 2011
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011						
Non-derivative financial liabilities						
Trade and other payables	–	88,569	68,456	–	157,025	157,025
Bank borrowings	5.48	42,366	59,222	137,987	239,575	227,130
		130,935	127,678	137,987	396,600	384,155
2010						
Non-derivative financial liabilities						
Trade and other payables	–	90,622	80,373	–	170,995	170,995
Bank borrowings	4.61	43,685	6,982	–	50,667	48,324
		134,307	87,355	–	221,662	219,319

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management *(continued)*

	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
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011						
Foreign currency forward						
– gross settlement						
– inflow *(note 2)*	**–**	**–**	**–**	**85,714**	**85,714**	*(note 1)*
– outflow	**–**	**–**	**–**	**(87,563)**	**(87,563)**	*(note 1)*
2010						
Foreign currency forward						
– gross settlement						
– inflow *(note 2)*	–	–	–	71,846	71,846	*(note 1)*
– outflow	–	–	–	(67,692)	(67,692)	*(note 1)*

notes:

1. The carrying amount of foreign currency forward contracts as at 31 December 2011 and 2010 was financial derivative liability of approximately RMB886,000 and financial derivative asset of approximately RMB4,228,000, respectively.

2. The inflow represents undiscounted cash inflows of the Group based on the relevant contractual maturities at foreign currency exchange rates prevailing at the end of the reporting period.

Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values because the financial assets and financial liabilities have short maturity.

Fair value measurements recognised in the statement of financial position

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 (Level 2).

Embedded derivatives as detailed in Note 17 are measured using the Monte Carlo Simulation method by discounting future cash flows.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	2011		
	Level 2 RMB'000	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at FVTPL			
Foreign exchange forward contracts	**886**	**–**	**886**

	2010		
	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Foreign exchange forward contracts	4,228	–	4,228
Embedded derivatives	–	511	511
Total	4,228	511	4,739

Reconciliation of Level 3 fair value measurement of financial assets

	Embedded derivatives RMB'000
At 1 January 2010	–
Contracted upon acquisition of interest in jointly controlled entity *(Note 17)*	1,375
Loss included in profit or loss	(864)
At 31 December 2010	511
Profit included in profit or loss	31
Release upon surrender of interest in jointly controlled entity *(Note 34)*	(542)
At 31 December 2011	**–**

Fair value gains or losses on embedded derivatives are included in 'Investment income and other gains or losses'.

6. REVENUE AND SEGMENT INFORMATION

Mr. Xiang, the Chief Executive Officer and Chairman of the Company, is the chief operating decision maker of the Group (the "CODM") and he regularly reviews revenue to make decisions about resources allocation and performance assessment, accordingly, no other separate segment information is presented.

In conjunction with a reassessment of the Group's overall performance for its trading and manufacturing activities, starting January 2011, the CODM reviews the sales generated from these two functions in substitution for review of sales by product categories in prior years. Accordingly, the segment revenue for the year ended 31 December 2010 is restated in consistence with that of the year ended 31 December 2011.

The following table sets forth a breakdown of the Group's revenue:

	2011 **RMB'000**	2010 RMB'000
Trading of power electronic components *(note)*	**156,128**	138,535
Manufacturing of power electronic components *(note)*	**454,183**	289,461
Total	**610,311**	427,996

note: the Group trades and manufactures power electronic components principally for use in rail transportation and power transmission and distribution.

Geographical information

The Group's operations are located in the PRC, country of domicile of the operating subsidiaries.

Information about major customers

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

	2011 **RMB'000**	2010 RMB'000
Customer A (for both trading and manufacturing of goods)	**125,870**	109,296
Customer B (for both trading and manufacturing of goods)	**84,377**	*
Customer C (for manufacturing of goods)	#	69,785

* The sales to customer B was less than 10% for the year ended 31 December 2010.

\# Customer C was acquired by the Group in 2011 as disclosed in Note 34(A). Accordingly, it ceased to be a customer in 2011.

7. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Bank interest income	**1,174**	801
Net foreign exchange losses	**(2,991)**	(9,057)
(Loss) gain on fair value change of foreign currency forward contracts	**(5,114)**	4,179
Gain (loss) on fair value change of embedded derivatives *(Note 17)*	**31**	(864)
Government grants *(note)*	**8,365**	6,088
Changes in fair value of equity interests in investees *(Note 34)*	**403**	–
Loss on disposal of property, plant and equipment	**(206)**	(62)
Commission income	**2,958**	–
Loss on disposal of a subsidiary *(Note 17)*	**(9)**	–
Total	**4,611**	1,085

note:

Government grants represent:

a. RMB6,902,000 (2010: Nil) received unconditionally from local government for an over levy in prior year;

b. RMB680,000 received from local government as an encouragement to explore scientific and technological innovation (2010: RMB5,510,000);

c. release of deferred income of RMB381,000 (2010: RMB286,000) out of a gross government subsidy of RMB3,810,000 for acquisition of machinery for production (Note 28); and

d. other miscellaneous subsidies from local government.

8. OTHER EXPENSES

	2011 RMB'000	2010 RMB'000
Allowance for doubtful debts	**5,157**	1,523
Research and development costs	**6,929**	2,757
Others	**4,500**	–
	16,586	4,280

9. (LOSS) PROFIT BEFORE TAX

	2011 RMB'000	2010 RMB'000
(Loss) profit before tax has been arrived at after charging:		
Directors' remuneration, including share-based payment expense and retirement benefit schemes contributions *(Note 10)*	**3,690**	2,259
Other staff costs	**29,903**	11,259
Other staff's retirement benefit schemes contributions	**4,042**	1,198
Other staff's share-based payment expense	**7,733**	1,730
	45,368	16,446
Share-based payment expense to Technical know-how NCIs and Saiying NCI *(Note 31)* (included in administrative and general expense)	**14,694**	–
Write-down of inventory	**3,861**	1,104
Depreciation for property, plant and equipment	**11,939**	5,623
Amortisation of intangible assets and prepaid lease payments	**8,357**	508
Auditor's remuneration	**3,600**	1,711
Cost of inventories recognised as an expense *(note)*	**516,190**	313,044
Operating lease rentals in respect of premises	**2,680**	2,230

note: included is material cost relating to research and development of RMB4,951,000.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 directors were as follows:

	Salaries and other benefits RMB'000	Share-based and other benefits RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
2011				
Directors				
Mr. Xiang	**384**	**738**	**48**	**1,170**
Mr. Gong Ren Yuan	**372**	**326**	**48**	**746**
Mr. Yue Zhou Min	**260**	**309**	**40**	**609**
Mr. Huang Xiang Qian	**330**	**398**	**47**	**775**
Mr. Ye Weigang Greg	**–**	**–**	**–**	**–**
Mr. Wong Kun Kau	**–**	**–**	**–**	**–**
Mr. Wang Yi	**130**	**–**	**–**	**130**
Mr. Li Fengling	**130**	**–**	**–**	**130**
Mr. Chen Shimin	**130**	**–**	**–**	**130**
	1,736	**1,771**	**183**	**3,690**
2010				
Directors				
Mr. Xiang	163	738	59	960
Mr. Gong Ren Yuan	151	–	57	208
Mr. Yue Zhou Min	102	207	45	354
Mr. Huang Xiang Qian	246	229	43	518
Mr. Ye Weigang Greg	–	–	–	–
Mr. Wong Kun Kau	–	–	–	–
Mr. Wang Yi	80	–	–	80
Mr. Li Fengling	80	–	–	80
Mr. Chen Shimin	59	–	–	59
	881	1,174	204	2,259

None of the directors has waived any emoluments for both years.

11. EMPLOYEE'S EMOLUMENTS

Of the five individuals having the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosure in Note 10 above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011	2010
	RMB'000	RMB'000
Employees		
Salaries and other benefits	**880**	221
Share-based payment expense	**722**	458
Retirement benefit schemes contributions	**40**	41
	1,642	720

During the year, no emoluments were paid by the Group to the five highest paid individuals or other directors as an inducement to join or upon joining the Group or as compensation for loss of office.

The annual emoluments of each of these two individuals during the current and prior years were below HK$1,000,000.

12. INCOME TAX EXPENSE

	2011	2010
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**7,558**	11,859
Deferred taxation *(Note 29)*:		
Current year	**(4,765)**	2,992
	2,793	14,851

Sunking Pacific Limited ("Sunking Pacific") was incorporated in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Jiashan Sunking Power Equipment Technology Co., Ltd. ("Jiashan Sunking") was recognised as a foreign invested manufacturing enterprise and is entitled to tax exemption from EIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for EIT for the subsequent three years. Therefore, the applicable income tax rate for Jiashan Sunking is 12.5% for the years ended 31 December 2011 and 2010.

Jiujiang Jiuzheng Rectifier Co., Ltd ("Jiujiang Rectifier") and Wuhan Langde Electrics Co., Ltd ("Wuhan Langde") acquired by the Group in May and April 2011 respectively obtained New and High Technology status in 2010 and accordingly, they are entitled to income tax rate of 15% for the years from 2011 to 2013.

12. INCOME TAX EXPENSE *(continued)*

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

	2011 RMB'000	2010 RMB'000
(Loss) profit before tax	**(50,489)**	52,443
Tax at PRC EIT rate of 25% *(note)*	**(12,622)**	13,111
Tax effect of expenses not deductible for tax purpose	**14,733**	6,559
Tax effect of income not taxable for tax purpose	**95**	72
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(138)**	(146)
Tax effect of share of loss of jointly controlled entities	**(95)**	8
Tax effect of tax concession	**(5,948)**	(10,572)
Tax effect of unused tax losses and other deductible temporary differences not recognised	**7,704**	2,545
Deferred tax arising from withholding tax on undistributed profit of a PRC subsidiary	**(936)**	3,274
Tax charge for the year	**2,793**	14,851

note: The PRC income tax rate for the year was 25% (2010: 25%), which represented the applicable income tax rate of the PRC subsidiaries through which the Group's operations were substantially conducted.

13. (LOSSES) EARNINGS PER SHARE

The calculation of the basic and diluted (losses) earnings per share attributable to the owners of the Company is based on the followings data:

	2011 RMB'000	2010 RMB'000
Earnings		
(Loss) profit for the year attributable to owners of the Company	**(59,360)**	37,592
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (losses) earnings per share	**1,365,913,945**	1,099,389,315

The computation of diluted loss per share for the year does not assume the exercise of share options since their exercise would result in a decrease in loss per share. Therefore, the basic and diluted losses per share are the same.

There was no potential dilutive share for the year ended 31 December 2010.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2010	20,010	6,843	3,100	3,376	1,081	61,078	95,488
Additions	–	437	1,719	519	–	47,963	50,638
Transfer	37,679	33,454	1,157	–	–	(72,290)	–
Disposals	–	–	(54)	(437)	–	–	(491)
At 31 December 2010	57,689	40,734	5,922	3,458	1,081	36,751	145,635
Additions	–	3,349	5,651	7,298	815	56,554	73,667
Transfer	40,460	4,219	347	–	–	(45,026)	–
Acquisition of subsidiaries *(Note 34)*	11,320	1,097	735	800	310	–	14,262
Disposal of a subsidiary *(Note 17)*	–	–	(99)	–	–	–	(99)
Disposal	–	(150)	(10)	(189)	–	–	(349)
At 31 December 2011	**109,469**	**49,249**	**12,546**	**11,367**	**2,206**	**48,279**	**233,116**
ACCUMULATED DEPRECIATION							
At 1 January 2010	(287)	(792)	(1,088)	(1,174)	(577)	–	(3,918)
Provided for the year	(812)	(2,808)	(1,008)	(760)	(235)	–	(5,623)
Disposals	–	–	18	78	96		
At 31 December 2010	(1,099)	(3,600)	(2,078)	(1,856)	(812)	–	(9,445)
Provided for the year	(3,142)	(4,185)	(2,375)	(1,798)	(439)	–	(11,939)
Disposal of a subsidiary	–	–	22	–	–	–	22
Disposal	–	37	6	100	–	–	143
At 31 December 2011	**(4,241)**	**(7,748)**	**(4,425)**	**(3,554)**	**(1,251)**	**–**	**(21,219)**
NET BOOK VALUES							
At 31 December 2010	56,590	37,134	3,844	1,602	269	36,751	136,190
At 31 December 2011	**105,228**	**41,501**	**8,121**	**7,813**	**955**	**48,279**	**211,897**

The above items of property, plant and equipments other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5-10.0%
Plant and machinery	10%
Furniture, fixtures and equipment	20-33%
Motor vehicles	25-33%
Leasehold improvement	Over the shorter of the lease term and 5 years

The Group has no pledge of property, plant and equipment as at 31 December 2011.

As at 31 December 2010, the Group had pledged certain buildings having a carrying amount of approximately RMB49,183,000 to secure bank borrowings granted to the Group by a bank.

15. PREPAID LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
Land use rights held under medium term leases situated in PRC	**57,428**	37,352
Analysed for reporting purpose as:		
Current assets	**1,041**	767
Non-current assets	**56,387**	36,585
	57,428	37,352

The Group has no pledge of prepaid lease payments as at 31 December 2011.

As at 31 December 2010, the Group had pledged certain prepaid lease payments having a carrying amount of RMB15,325,000 to secure short-term bank borrowings granted to the Group by a bank.

16. INTANGIBLE ASSETS

	Patents RMB'000	Trademark RMB'000	Backlog RMB'000	Computer software RMB'000	Total RMB'000
COST					
At 1 January 2010	–	–	–	550	550
Additions	–	–	–	269	269
At 31 December 2010	–	–	–	819	819
Acquisition of Subsidiaries *(Note 34)*	6,353	19,185	6,525	1,021	33,084
Additions	–	–	–	125	125
At 31 December 2011	**6,353**	**19,185**	**6,525**	**1,965**	**34,028**
AMORTISATION					
At 1 January 2010	–	–	–	(110)	(110)
Amortisation	–	–	–	(148)	(148)
At 31 December 2010	–	–	–	(258)	(258)
Amortisation	(494)	–	(6,525)	(378)	(7,397)
At 31 December 2011	**(494)**	**–**	**(6,525)**	**(636)**	**(7,655)**
CARRYING VALUES					
At 31 December 2010	–	–	–	561	561
At 31 December 2011	**5,859**	**19,185**	**–**	**1,329**	**26,373**

Intangible assets arising from the acquisition of Jiujiang Rectifier and Lang Zhi De as part of business combination in 2011 represent trademarks, patents, backlog and computer software.

16. INTANGIBLE ASSETS *(continued)*

The trademarks represent registered trade names used by Jiujiang Rectifier in business for years and the directors of the Company are of the opinion that the Group would be continuously carrying such trade names for business. Accordingly, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

Patents, backlog and computer software have finite useful lives and are amortised on a straight-line basis over the following periods:

Patents	7 years
Backlog	Upon completion of orders
Computer software	3-5 years

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group had interests in the following jointly controlled entities:

Name of entity	Form of entity	Place of establishment	Principal place of operation	Class of capital held	Proportion of nominal value of issued capital held by the Group 2011	2010	Proportion of voting power held 2011	2010	Principal activities
Shanghai Lang Zhi De Power and Technology Co., Ltd. ("Lang Zhi De")	Established	PRC	PRC	Registered capital	–	20%	–	20%	Investment holding
Wuhan Langde	Established	PRC	PRC	Registered capital	–	20%	–	20%	On-line monitoring of smart grid

Jiashan Sunking entered into an investment agreement with Mr. Zhu Xiaodong and Mr. Chen Yong (the then shareholders of Lang Zhi De unrelated to the Group and collectively referred to as the "Original Shareholders") in June 2010 (the "Investment Agreement"), pursuant to which Jiashan Sunking, by capital injection of RMB5 million in July 2010, acquired 20% equity interests of Lang Zhi De, which in turn held 100% equity interest in Wuhan Langde.

In connection with the acquisition, the Investment Agreement also provided the Group with options to i) further acquire additional equity interest; or ii) request redemption of its investment by the Original Shareholders, in Lang Zhi De dependent on the occurrence of certain conditions. Accordingly, the investment was allocated to the respective elements as follows:

	Total RMB'000
Investments in jointly controlled entities	3,625
Embedded derivative-options	1,375
	5,000

The Group was able to exercise joint control over Lang Zhi De as the Group could appoint two out of five directors to Lang Zhi De pursuant to the Articles of Association of Lang Zhi De and meanwhile, resolution of Lang Zhi De must be passed by two third of the directors.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

In April 2011, the Group entered into another agreement with the Original Shareholders to further acquire additional 41% of equity interest in Lang Zhi De, resulting in the Group taking control over Lang Zhi De and accounting for Lang Zhi De as a non wholly-owned subsidiary ("the Lang Zhi De Acquisition"). The details of the acquisition are set out in Note 34.

Movements of interests in jointly controlled entities are as follows:

	RMB'000
At 1 January 2010	–
Investment cost	3,625
Share of post-acquisition profits	30
At 31 December 2010	3,655
Share of post-acquisition profits	(380)
Surrender of interest in jointly controlled entities upon acquisition of additional equity interest	(3,275)
At 31 December 2011	**–**

Included in the cost of investment in jointly controlled entities was goodwill of RMB2,178,000 and the movement of goodwill is as follows:

	RMB'000
Cost	
At 1 January 2010	–
Arising on acquisition of jointly controlled entities	2,178
At 31 December 2010	2,178
Release upon surrender of interests in jointly controlled entities	(2,178)
At 31 December 2011	**–**

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

	30/04/2011 RMB'000	31/12/2010 RMB'000
Current assets	**4,951**	4,183
Non-current assets	**4,711**	3,784
Current liabilities	**(4,177)**	(338)
Non-current liabilities	**–**	(244)
Group's share of net assets	**1,097**	1,477

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

	Period from 1/1/2011 to 30/4/2011 RMB'000	Period from 6/7/2010 to 31/12/2010 RMB'000
Revenue	**111**	2,901
(Loss) profit for the period	**(1,900)**	150
Group's share of loss for the period	**(380)**	30

The movement of embedded derivatives is as follows:

	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	**511**	–
Initial investments	**–**	1,375
Changes in fair value	**31**	(864)
Release upon surrender of interests in jointly controlled entities	**(542)**	–
Balance at end of the year	**–**	511

The fair values of these derivatives were estimated using the Monte Carlo Simulation method by discounting future cash flows at the respective dates. The followings are the key inputs used in the model.

	30/04/2011	31/12/2010	06/07/2010
Revenue Volatility	**20%**	25%	25%
Risk free rate	**3.80%**	4.29%	4.00%
Weighted Average Cost of Capital	**27.0%**	22.0%	27.5%

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Disposal of Lang Zhi De

Subsequent to the Lang Zhi De Acquisition, Lang Zhi De was owned as to 61% by the Group and as to 39% by two non-controlling shareholders. In connection with a group restructuring, Lang Zhi De distributed Wuhan Langde to its then shareholders resulting in the then shareholders holding Wuhan Langde reflecting that of their shareholdings in Lang Zhi De. In July 2011, the Group disposed of its equity interest in Lang Zhi De to three parties unconnected to the Group at a consideration of RMB26,000. The net assets of Lang Zhi De (excluding Wuhan Langde) at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	77
Other receivables	70
Bank balances	3
Other payables	(92)
Non-controlling interests	(23)
	35
Loss on disposal	(9)
Cash consideration	26
Net cash inflows arising on disposal:	
Cash consideration	26
Bank balances disposed of	(3)
	23

Lang Zhi De did not make significant contribution to the results or cash flow of the Group for the year.

18. AVAILABLE-FOR-SALE INVESTMENT

	2011 RMB'000	2010 RMB'000
Unlisted equity investment	–	3,540

The unlisted equity investment represents 5% equity interest in Jiujiang Rectifier. The investment was measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

In May 2011, the Group entered into an agreement with the original equity holders of Jiujiang Rectifier to acquire an additional equity interest of 56% in Jiujiang Rectifier, which results in the Group taking control over Jiujiang Rectifier and accounting for Jiujiang Rectifier as a non wholly-owned subsidiary. Details of the acquisition are set out in Note 34.

19. CLUB MEMBERSHIPS

In the opinion of the directors, the club memberships are worth at least their carrying amounts.

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

The movement of goodwill is as follows:

	RMB'000
At 1 January 2010 and 31 December 2010	–
Acquisition of Jiujiang Rectifier and Lang Zhi De *(Note 34)*	40,357
At 31 December 2011	**40,357**

For the purposes of impairment testing, goodwill and intangible assets as set out in Note 16 have been allocated to two cash generating units (CGUs) which comprise i) Juijiang Rectifier in manufacture of rectifier; and ii) Wuhan Langde in development of on-line smart grid monitoring system.

	Jiujiang Rectifier RMB'000	**Wuhan Langde** RMB'000
Goodwill	37,159	3,198
Intangible assets	25,044	875
	62,203	4,073

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiujiang Rectifier

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and the cash flows beyond the 5-year period are extrapolated using a 3% growth rate, at a discount rate of 13.7%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margin, which is based on the Jiujiang Rectifier's past performance and management's expectations for the market development including the development of railway network in the PRC. In the opinion of the directors of the Company, no impairment is required for the year ended 31 December 2011.

Wuhan Langde

The recoverable amount of Wuhan Langde has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and the cash flows beyond the 5-year period are extrapolated using a 3% growth rate, at a discount rate of 28%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margin, which is based on the Wuhan Langde's past performance and management's expectations for the market development. In the opinion of the directors of the Company, no impairment is required for the year ended 31 December 2011.

21. INVENTORIES

	2011 **RMB'000**	2010 RMB'000
Raw materials	**115,525**	53,215
Work-in-progress	**33,640**	2,901
Finished goods	**26,314**	11,624
	175,479	67,740

22. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**292,441**	313,949
Less: Allowance for doubtful debts	**(5,550)**	(393)
	286,891	313,556
Less: Amount shown as non-current	**(25,206)**	–
	261,685	313,556
Notes receivable	**206,853**	45,541
Value-added tax receivable	**16,150**	5,163
Receivable from partial disposal of equity interest in a subsidiary	**3,500**	–
Other receivables and deposits	**9,334**	12,560
	497,522	376,820

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

	2011 RMB'000	2010 RMB'000
0-90 days	**146,231**	199,668
91-180 days	**85,489**	87,253
181-360 days	**37,933**	25,302
Over 360 days	**17,238**	1,333
	286,891	313,556

In general, the Group allows an average credit period of 90 days to its trade customers, ranging from cash on delivery to half year.

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

Before accepting a new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. In determining the recoverability of the trade receivables, the management of the Group monitors the financial positions of the customers regularly through meetings, independent investigation and review of publicly available information.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of RMB128,939,000 (2010: RMB171,006,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as, in the opinion of the directors, there has been no significant change in credit quality. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(continued)*

Aging analysis for trade receivables past due but not impaired at the end of the reporting period is as follows:

	2011 **RMB'000**	2010 RMB'000
0-180 days	**108,056**	164,472
181-360 days	**13,832**	6,206
Over 360 days	**7,051**	328
	128,939	171,006

Certain trade receivables with carrying amount of RMB96,060,000 as at 31 December 2011 are pledged against short-term bank borrowings granted to the Group (2010: RMB17,000,000).

Movement in the allowance for doubtful debts

	2011 **RMB'000**	2010 RMB'000
At 1 January	**393**	–
Impairment losses recognised	**5,157**	1,523
Written off as uncollectible	**–**	(1,130)
At 31 December	**5,550**	393

The credit risk on notes receivable is limited because the counterparties are state-owned banks located in the PRC with high reputation. The aging of notes receivable presented based on the issue date at the end of the reporting period is as follows:

	2011 **RMB'000**	2010 RMB'000
0-180 days	**206,853**	45,041
181-360 days	**–**	500
	206,853	45,541

No notes receivable as at 31 December 2011 (2010: carrying amount of RMB800,000) was pledged to a bank against bank borrowings granted to the Group.

23. AMOUNT DUE FROM A DIRECTOR

	Balance at 2011 RMB'000	Balance at 2010 RMB'000	**Maximum outstanding amounts** **2011 RMB'000**	2010 RMB'000
Mr. Xiang	**–**	22	**22**	1,734

Amount was unsecured, interest-free and repayable on demand.

24. OTHER FINANCIAL ASSETS (LIABILITIES)

	2011 RMB'000	2010 RMB'000
Embedded derivatives *(Note 17)*	–	511
Foreign currency forward contracts	(886)	4,228
	(886)	4,739

As at 31 December 2011, the Group was a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. Those contracts were settled on gross basis.

Major terms of the foreign currency forward contracts are as follows:

At 31 December 2011

Notional amount	Forward contract rates	Maturity
9 contracts to buy CHF2,851,000 in total	CHF1: RMB6.8520 to 7.1780	From 28 February 2012 to 21 December 2012
3 contracts to buy US$10,445,000 in total	US$1: RMB6.4080 to 6.4120	From 11 May 2012 to 18 June 2012

At 31 December 2010

Notional amount	Forward contract rates	Maturity
18 contracts to buy CHF10,349,000 in total	CHF1: RMB6.6270 to 6.6990	From 1 January 2011 to 31 October 2011

The foreign currency forward contracts are measured at fair value at the end of the reporting period. Their fair values are determined based on quoted forward exchange rates for equivalent instruments at the end of reporting period as provided by the relevant banks.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The bank deposits (inclusive of bank deposits denominated in currencies other than the functional currency of the relevant group entities as set out below) and pledged bank deposits carry interest at the prevailing market rate of approximately 0.50% to 3.50% (2010: 0.36% to 3.25%) per annum.

As at 31 December 2011, the Group's bank deposits pledged to banks are principally for the Group's trading finance purpose including issuance of letter of credit and bank borrowings. The pledged bank deposits will be released upon the settlement of the relevant letters of credit and obligation.

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:

	2011 RMB'000	2010 RMB'000
CHF	1,648	893
US$	22,178	88,515
HK$	1,606	71,493
EUR	42	46
	25,474	160,947

26. TRADE AND OTHER PAYABLES

	2011 **RMB'000**	2010 RMB'000
Trade payables	**142,020**	156,902
Advance from customers	**38,079**	3,000
Value-added tax payable	**2,375**	3,950
Other taxes payables	**1,266**	12,780
Accrued expenses	**958**	8,052
Payroll payable	**4,769**	–
Other payables	**9,278**	10,143
	198,745	194,827

The following is an aging analysis of trade payables based on invoice date at the end of reporting period:

	2011 **RMB'000**	2010 RMB'000
0-180 days	**136,327**	151,923
Over 181 days	**5,693**	4,979
	142,020	156,902

The credit period varies with suppliers and ranges from 30 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

27. BANK BORROWINGS

	2011 **RMB'000**	2010 RMB'000
Secured bank loans	**69,000**	48,324
Unsecured bank loans	**158,130**	–
	227,130	48,324

The bank loans are secured by the Group's assets at their carrying amounts as follows:

	2011 **RMB'000**	2010 RMB'000
Buildings	**–**	49,183
Prepaid lease payments	**–**	15,325
Trade and notes receivables	**96,060**	17,800
Pledged bank deposits	**14,857**	1,203
	110,917	83,511

In addition, the bank borrowings carry fixed interests ranging from 3.97% to 6.71% (2010: 4.37% to 5.31%) per annum. The weighted average effective interest rate on the bank is 5.48% (2010: 4.61%) per annum. All the Group's bank loans have contractual maturity within one year from the end of the reporting period.

28. DEFERRED INCOME

	2011 RMB'000	2010 RMB'000
Government grant	**3,143**	3,524

In 2009, RMB3,810,000 was granted by government to subsidise the Group's purchase of machinery for production. The government grant was accounted for as deferred income as amortised over the useful life of the machinery to the consolidated statement of comprehensive income.

During the year ended 31 December 2011, RMB381,000 (2010: RMB286,000) was released to income.

29. DEFERRED TAXATION

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

	Fair value change on foreign exchange forward contract RMB'000	Pre-operating expenses RMB'000	Unrealised profit RMB'000	Bad debt provision RMB'000	Inventory provision RMB'000	Embedded derivatives RMB'000	Accrued expenses RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value adjustment on assets upon acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2010	(324)	54	–	–	–	–	71	(2,889)	–	(3,088)
(Charge) credit to profit or loss	(310)	(19)	107	222	53	216	13	(3,274)	–	(2,992)
Eliminated on distribution of profit of subsidiaries	–	–	–	–	–	–	–	913	–	913
At 31 December 2010	(634)	35	107	222	53	216	84	(5,250)	–	(5,167)
Acquisition of subsidiaries *(Note 34)*	–	–	–	–	–	–	–	–	(6,906)	(6,906)
Credit (charge) to profit or loss	799	(22)	334	495	828	(216)	400	936	1,212	4,766
At 31 December 2011	**165**	**13**	**441**	**717**	**881**	**–**	**484**	**(4,314)**	**(5,695)**	**(7,308)**

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.

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

	2011 RMB'000	2010 RMB'000
Deferred tax assets	**4,341**	–
Deferred tax liabilities	**11,649**	5,167

29. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has unused tax losses of RMB41,734,000 (2010: RMB13,422,000) available for offset against future profits. Included in unrecognised tax losses are tax losses of nil (2010: RMB1,952,000) that will expire by 2013, RMB577,000 (2010: RMB2,514,000) that will expire by 2014, RMB7,188,000 (2010: RMB8,956,000) that will expire by 2015 and RMB33,968,000 (2010: Nil) that will expire by 2016. Deductible temporary differences including deferred income (Note 28) not recognised as deferred tax assets amounting to RMB7,245,000 (2010: RMB4,742,000). No deferred tax asset has been recognised in respect of the tax losses and deductible temporary differences due to the unpredictability of future profit streams.

Deferred tax liabilities was provided on undistributed profits of certain PRC subsidiaries as, in the opinion of the directors of the Company, the Group has not determined that this portion of profits derived from these PRC operating subsidiaries will be retained by these PRC subsidiaries and will not be distributed in the foreseeable future.

30. SHARE CAPITAL

	The Company	
	Number of shares	**Amount**
		HK$'000
Authorised:		
On 19 March 2010, date of incorporation of the Company *(note a)*	3,800,000	380
Increase of authorised share capital *(note b)*	1,996,200,000	199,620
At 31 December 2010 and 31 December 2011	2,000,000,000	200,000
Issued and fully paid:		
Issued on 19 March 2010, date of incorporation of the Company *(note a)*	1	–
Issued in consideration for the acquisition of the issued share capital of Sunking Pacific Limited *(note c)*	51,226,999	5,123
Issued by capitalisation of the share premium account *(note d)*	973,313,000	97,331
Issue of share pursuant to initial public offering *(note e)*	341,500,000	34,150
At 31 December 2010	1,366,040,000	136,604
Repurchase and cancellation of shares *(note f)*	(460,000)	(46)
At 31 December 2011	**1,365,580,000**	**136,558**

	2011	2010
	RMB'000	RMB'000
Shown in the consolidated financial statements as:		
Share capital	**117,385**	117,425

30. SHARE CAPITAL *(continued)*

notes:

(a) The Company was incorporated on 19 March 2010 with an authorised share capital of HK$380,000 initially divided into 3,800,000 ordinary shares with a par value of HK$0.1 each, of which 1 ordinary share with a par value of HK$0.1 each was allotted and issued, credited as fully paid by the Company to its then sole shareholder on 19 March 2010.

(b) Pursuant to a resolution in writing passed by the sole shareholder of the Company 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.

(c) On 23 September 2010, the Company acquired the entire issued share capital of Sunking Pacific Limited from Sunking BVI, in consideration of which the Company allotted and issued, credited as fully paid, an aggregate of 51,226,999 new shares to Sunking BVI pursuant to the Group Reorganisation.

(d) Pursuant to resolutions in writing passed by the sole shareholder of the Company on 23 September 2010, 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 of 973,313,000 shares. On 13 October 2010, 973,313,000 shares were allotted and issued.

(e) On 13 October 2010, 341,500,000 shares of HK$0.10 each of the Company were issued at HK$1.93 by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange.

(f) The Company repurchased an aggregate of 460,000 shares of HK$0.10 each in September 2011 and these repurchased shares were cancelled prior to 31 December 2011. The issued share capital of the Company was reduced by the nominal value of these repurchased shares in the amount of RMB40,000 (HK$46,000) and the equivalent amount was transferred from accumulated profits to the capital redemption reserve pursuant to 37(4) of the Companies Law (2007 Revision) of the Cayman Islands. The premium paid on the repurchase of these shares in the amount of RMB181,000 was charged to share premium. The aggregate consideration to repurchase these shares in the amount of RMB221,000 was deducted from shareholders' equity.

All shares issued rank pari passu with other shares in issue in all respects.

31. SHARE-BASED PAYMENTS TRANSACTIONS

Scheme I

A share award scheme ("Scheme I") was adopted by Sunking BVI in 2008 for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI and its then subsidiaries including the Group. Under Scheme I, Sunking BVI may issue up to 6,000,000 ordinary shares.

	Grant date	Fair value per share at grant date	Vesting period	Outstanding as at 1/1/2010	Granted during the year	Vested during the year	Outstanding as at 31/12/2010	Forfeited during the year	Vested during the year	Outstanding as at 31/12/2011
Employees	1 April 2008	3.06	1/4/2008-31/3/2012	1,034,438	–	(459,750)	574,688	(31,521)	(436,292)	**106,875**
	1 January 2009	4.15	1/1/2009-31/12/2012	150,000	–	(50,000)	100,000	–	(50,000)	**50,000**
	1 July 2009	5.74	1/7/2009-30/6/2012	99,091	–	(33,750)	65,341	–	(32,046)	**33,295**
	1 January 2010	7.10	1/1/2010-31/3/2012	–	233,709	(103,871)	129,838	–	(103,871)	**25,967**
				1,283,529	233,709	(647,371)	869,867	(31,521)	(622,209)	**216,137**
Consultants	18 January 2010	7.10	18/01/2010	–	50,000	(50,000)	–	–	–	**–**
				1,283,529	283,709	(697,371)	869,867	(31,521)	(622,209)	**216,137**

The expense recognised in respect of the awarded share was RMB2,480,000 (2010: RMB2,904,000) for the year and has been included in the profit or loss as follows:

	2011 RMB'000	2010 RMB'000
Cost of sales	**259**	259
Distribution and selling expenses	**206**	206
Administrative and general expenses	**2,015**	2,439
Total	**2,480**	2,904

The fair value of the shares of Sunking BVI was determined using the weighted average of income approach and market approach. Inputs used in the share pricing model for each of the grant dates are as follows:

	Grant date				
	01/04/2008	**01/01/2009**	**01/07/2009**	**01/01/2010**	**18/01/2010**
Marketability discount	25.0%	25.0%	17.5%	14.0%	14.0%
Weighted average capital cost	18.5%	18.5%	19.0%	18.0%	18.0%
Income approach percentage	75.0%	75.0%	50.0%	50.0%	50.0%

31. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Scheme II

The Company's share option scheme ("Scheme II") was adopted pursuant to a resolution passed on 27 April 2011 for the primary purpose of providing incentives to directors and eligible employees and consultants and will expire on 26 April 2017. Under Scheme II, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, and consultants to subscribe for shares in the Company.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under Scheme II was 14,490,000 (31 December 2010: Nil), representing 1.06% (31 December 2010: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under Scheme II is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders, subject to a cap of 30%. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million, based on the closing price of the Company's shares at the date of offer, must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant upon payment of HK$1 per grant. Options may be exercised at any time one year from the date of grant of the share option to the 6th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

Unless otherwise determined and stated in the offer or incompliance with law and regulation, the grantees are not required to hold an option for any minimum period nor achieve any performance before the exercise of an option granted to him/her.

Under Scheme II, 14,900,000 share options were granted on 27 April 2011. The options vest 25% each year, starting one year after the grant, and are exercisable from 27 April 2012 to 26 April 2017. The following table discloses movements of the Company's share options held by the grantees during the year:

Name	Grant date	Fair value per option at grant date#	Vesting Period	Outstanding as at 1/1/2011	Granted during the year	Forfeited during the year	Outstanding as at 31/12/2011
Employees	27 April 2011	HKD0.79	27/4/2011-26/4/2015	–	2,820,000	(630,000)	**2,190,000**
Executives*	27 April 2011	HKD0.81	27/4/2011-26/4/2015	–	5,830,000	–	**5,830,000**
Directors and consultants	27 April 2011	HKD0.83	27/4/2011-26/4/2015	–	12,630,000	(6,160,000)	**6,470,000**
				–	21,280,000	(6,790,000)	**14,490,000**

* represent managerial level employees of the Group

\# the fair value per option varies slightly amongst employees, executives and consultants because certain parameters including post-vesting forfeiture rates for different level of grantees were adopted for valuation purpose based on historical turnover rate of similar level and management's estimation.

31. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Scheme II *(continued)*

The following assumptions were commonly used to determine the fair value of the share options:

	27 April 2011
Grant date share price	**HK$1.72**
Exercise price	**HK$1.83**
Expected life of option	**6 years**
Expected volatility	**53%**
Dividend yield	**0%**
Risk-free interest rate	**2.01%**

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with the assistance of an independent valuation firm, Shanghai FairPro Consulting Co., Ltd. The major variables and assumptions are derived as follows:

(a) Expected volatility: based on average industry rate;

(b) Dividend yield: assumed to be zero.

The value of an option could vary with different variables and assumptions adopted.

The expense recognised in respect of the share option was RMB5,253,000 (2010: Nil) for the year and have been included in the profit or loss as follows:

	2011 **RMB'000**	2010 RMB'000
Distribution and selling expenses	**353**	–
Administrative and general expenses	**4,900**	–
Total	**5,253**	–

Share award

i) In April 2011, Zhejiang Jiashan Keneng Power Equipment Co., Ltd. ("Keneng") was established as to 51% held by the Group and 49% in aggregate held by five equity holders not connected to the Group (the "Keneng NCIs"). Keneng was established principally to engage in production of reactive power devices, the operation of which requires, as agreed amongst the investors, a combination of investments into Keneng via i) capital injection of RMB19.1 million in cash by the Group; ii) contribution of unregistered technical know-how by two of the Keneng NCIs (the "Technical Know-how NCIs"); and iii) capital injection of RMB7,875,000 in cash in aggregate by the rest three Keneng NCIs, payable within two years from Keneng's establishment (the "Capital-committed NCIs").

In the opinion of the directors, the contribution of unregistered technical know-how was regarded as share-based payment by the Group for the expertise of the Technical Know-how NCIs. The fair value of the share-based payment amounted to approximately RMB10.5 million was determined referencing to the fair value of Keneng's equity at the date of grant, and charged, upon grant date, to the consolidated statement of comprehensive income for the year ended 31 December 2011.

The committed capital by the Capital-committed NCIs has not been paid as at the issuance of the consolidated financial statements.

31. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share award *(continued)*

ii) In May 2011, Zhejiang Saiying Power Technology Co., Ltd. ("Saiying") was established as to 72% held by the Group and 28% held by another equity holder not connected to the Group (the "Saiying NCI"). Saiying was established principally to engage in development and production of power electronic and transmission components, the operation of which requires, as agreed between the investors, a combination of investments into Saiying via i) capital injection of RMB10.5 million by the Group; and ii) capital injection of RMB4.2 million by way of unregistered technical know-how by the Saiying NCI.

In the opinion of the directors, the unregistered technical know-how was regarded as share-based payment by the Group for the expertise of the Saiying NCI. The fair value of the share-based payment expense amounted to approximately RMB4.2 million was determined referencing to the fair value of Saiying's equity at the date of grant and charged, upon the grant date, to the consolidated statement of comprehensive income for the year ended 31 December 2011.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

	2011 **RMB'000**	2010 RMB'000
Minimum lease payments paid under operating leases during the year in respect of premises	**2,680**	2,230

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**533**	1,966
In the second to fifth year inclusive	**49**	175
	582	2,141

Leases are negotiated and rentals are fixed originally for an average lease terms of one year to three years.

33. CAPITAL COMMITMENTS

	2011 **RMB'000**	2010 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**22,117**	22,213

34. ACQUISITION OF SUBSIDIARIES

(A) Jiujiang Rectifier

In May 2011, the Group further acquired additional 56% equity interests in Jiujiang Jiuzheng Rectifier Co., Ltd. ("Jiujiang Rectifier"), resulting in 61% of ownership thereafter (including 5% equity interests acquired in 2010 recorded as available-for-sale investment). Jiujiang Rectifier was principally engaged in the rectifier manufacturing business and was acquired with the objective of extending the Group's product lines. The acquisition has been accounted for using acquisition method.

The acquisitions gave rise to insignificant acquisition-related costs, which have been excluded from the cost of acquisitions and recognised as an administrative and general expense in the consolidated statement of comprehensive income for the year ended 31 December 2011.

Consideration transferred

	RMB'000
Cash	63,700

Assets and liabilities recognised at the date of acquisition

	RMB'000
Bank balances and cash	14,197
Trade and other receivables *(note a)*	46,335
Inventories	97,210
Property, plant and equipment	13,504
Prepaid lease payment	20,409
Intangible assets	32,063
Trade and other payables *(note b)*	(158,765)
Tax liabilities	(5,349)
Deferred tax liabilities	(6,755)
	52,849

notes:

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

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

Non-controlling interests

The non-controlling interests (39%) in Jiujiang Rectifier amounting to RMB20,611,000 recognised at the date of acquisition was measured by reference to the proportionate share of recognised amounts of net assets of Jiujiang Rectifier as at that day.

Previously held interests

The previously held 5% equity interests in Jiujiang Rectifier was recorded as available-for-sale investment. It was re-measured to fair value by reference to the proportionate share of the enterprise value of Jiujiang Rectifier at the date of acquisition and the difference (gain) between the fair value of RMB5,697,000 and the carrying amount of 5% equity interest immediately prior to the date of acquisition of RMB3,540,000 was recognised in other gains and losses.

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(A) Jiujiang Rectifier *(continued)*

Goodwill arising on acquisition

	RMB'000
Consideration transferred	63,700
Plus: non-controlling interests	20,611
fair value of previously held interests	5,697
Less: recognised amount of identifiable net assets acquired	(52,849)
Goodwill arising on acquisition	37,159

Goodwill arose on the acquisition of Jiujiang Rectifier principally represents expected synergies from the development of new products and expansion of market share in the PRC power electronics industry and acquired assembled workforce. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2011 is a profit of RMB19,624,000 attributable to Jiujiang Rectifier. Revenue for the year ended 31 December 2011 includes RMB172,496,000 attributable to Jiujiang Rectifier.

Had the acquisition of Jiujiang Rectifier been completed on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been RMB627,805,000, and the loss for the year would have been RMB79,006,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(B) Lang Zhi De acquisition

In April 2011, the Group further acquired additional 41% interests in Lang Zhi De at a cash consideration of RMB2.6 million, resulting in 61% of ownership thereafter (including the 20% equity interests acquired in 2010 recorded as interests in jointly controlled entities (Note 17)). As a result of the additional acquisition, the Group came into agreement with the original shareholders to surrender the options included in the Investment Agreement. Lang Zhi De was principally engaged in development and manufacture of smart grid monitoring system and was acquired with the objective of extending the Group's product lines. The acquisition has been accounted for using acquisition method.

The acquisition give rise to insignificant acquisition-related costs, which have been excluded from the cost of acquisitions and recognised as an administrative and general expense in the consolidated statement of comprehensive income for the year ended 31 December 2011.

Consideration transferred

	RMB'000
Cash	2,600
Derivative – options surrendered *(Note 17)*	542
	3,142

Assets and liabilities recognised at the date of acquisition

	RMB'000
Bank balances and cash	409
Trade and other receivables *(note)*	1,640
Inventories	2,902
Property, plant and equipment	758
Intangible assets	1,021
Trade and other payables	(4,177)
Deferred tax liabilities	(151)
	2,402

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

Non-controlling interests

The non-controlling interests (39%) in Lang Zhi De amounting to RMB937,000 recognised at the date of acquisition was measured by reference to the proportionate share of recognised amounts of net assets of Lang Zhi De as at that day.

Previously held interests

The previously held 20% equity interests in Lang Zhi De recorded as interests in jointly controlled entities. It was re-measured at fair value by reference to the proportionate share of the enterprise value of Lang Zhi De at the date of acquisition and the difference (loss) between the fair value of RMB1,521,000 and the carrying amount of 20% equity interest immediately prior to the date of acquisition of RMB3,275,000 was recognised in other gains and losses.

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(B) Lang Zhi De acquisition *(continued)*

Goodwill arising on acquisition

	RMB'000
Consideration transferred	3,142
Plus: non-controlling interests	937
fair value of previously held interests	1,521
Less: recognised amount of identifiable net assets acquired	(2,402)
Goodwill arising on acquisition	3,198

Goodwill arose on the acquisition of Lang Zhi De principally because of expected synergy and also assembled workforce. Lang Zhi De has strong research and development capability in developing smart grid monitoring system industry and is one, amongst few, of the PRC enterprises engaging in the relevant industry. The directors are of the opinion and believe that the acquisition will provide synergies to the Group in the development of new products and expansion of market share in the PRC power electronics industry, and thus benefit both business and operation developments of the Group. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the loss for the year is a loss of RMB856,000 attributable to Lang Zhi De. Revenue for the year includes RMB6,105,000 attributable to Lang Zhi De.

Had the acquisition of Lang Zhi De been completed on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been RMB610,422,000, and the loss for the year would have been RMB61,260,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

35. 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 14% to 28% 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 current year, the total amounts contributed by the Group to the scheme and charged to the consolidated statement 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:

	2011 **RMB'000**	2010 RMB'000
Amount contributed and charged to the consolidated statement of comprehensive income	**4,225**	1,402

The contributions due had not been paid over to the scheme were RMB67,000 as at 31 December 2011 (2010: RMB7,000).

36. RELATED PARTY TRANSACTIONS

The Group's related party balances at the end of the reporting period are disclosed in Note 23.

The remuneration of directors and other members of key management for the current and prior years were as follows:

	2011 **RMB'000**	2010 RMB'000
Short-term benefits	**6,069**	1,649
Post-employment benefits	**838**	451
Share-based payments	**4,073**	2,252
	10,980	4,352

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

37. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2011

a. The Group recognised share-based payment expenses of approximately RMB22,427,000 in aggregate, details of which are set out in Note 31.

b. Upon acquisition of Jiujiang Rectifier (Note 34(A)), the outstanding balance of RMB68,186,000 payable to Jiashan Sunking was settled through current account with receivables owned by Jiashan Sunking.

For the year ended 31 December 2010

a. The Group recognised share-based payment expense of approximately RMB2,904,000, details of which are set out in Note 31.

b. On 8 October 2010, Sunking BVI waived loans of RMB42,519,000 advanced to the Group.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 RMB'000	2010 RMB'000
Investment in a subsidiary	48,905	22,791
Amounts due from subsidiaries	469,236	398,844
Other assets	4,697	125,860
Total assets	522,438	547,495
Total liabilities	(3,727)	(9,106)
Net assets	518,711	538,389
Capital and reserves		
Share capital	117,385	117,425
Share premium and other reserves	401,326	420,964
	518,711	538,389

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2011	Attributable equity interest of the Group As at 31 December 2011	As at 31 December 2010	Principal activities
Sunking Pacific Limited 賽晶亞太有限公司	Hong Kong	HK$1	100%	100%	Investment holding
Beijing Sunking Electronic Technology Co., Ltd. 北京華瑞賽晶電子科技有限公司	PRC as a domestic limited liability company	RMB1,000,000	100%	100%	Trading agent for various products and technologies
Jiashan Sunking Power Equipment Technology Co., Ltd. 嘉善華瑞賽晶電氣設備科技有限公司	PRC as a wholly foreign-owned enterprise	US$71,570,000	100%	100%	Sale, research and development, after sales service and production of electrical/electronic component and installation, including integrated gate bipolar transistor
Tianjin Sunking Xinglu Water Technology Co., Ltd. 天津市華瑞賽晶興路水科技有限公司	PRC as a domestic limited liability company	RMB5,000,000	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	PRC as a wholly foreign-owned enterprise	US$28,000,000	100%	100%	Production of electrical capacitors and its complete device, amorphous alloy transformer, DC current anode saturable dry-type reactors, FM voltage AC traction device; trading agent of various products and technologies

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2011	Attributable equity interest of the Group As at 31 December 2011	Attributable equity interest of the Group As at 31 December 2010	Principal activities
Jiangsu Sunking Power Equipment Co., Ltd. 江蘇賽晶電氣設備有限公司	PRC Limited liability company	RMB50,000,000	**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	PRC Limited liability company	RMB10,000,000	**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
Wuxi Zhuofeng Information Technology Co., Ltd. 無錫卓峰信息科技有限公司	PRC Limited liability company	RMB5,000,000	**100%**	100%	Manufacture and sale of computer software and hardware, research and development of network technology, technology advisory, technology transfer, technology service, computer system service, sale of electronic product computer auxiliary equipments and office supplies, technology research and service of electronic product, enterprise management advisory, business advisory
Sudian Power Electronic Technology Co., Ltd. 蘇電電力電子技術有限公司	PRC Limited liability company	US$6,000,000	**100%**	100%	Technology research, technology transfer, technology advisory and technology detect service of power electronic equipment, computer software and hardware, high voltage electrical capacitors, high voltage power networks reactive-load compensation equipment
Wuhan Langde Electrics Co., Ltd. 武漢朗德電氣有限公司	PRC Limited liability company	RMB5,000,000	**61%**	N/A	On-line smart grid monitoring system
Jiujiang Jiuzheng Rectifier Co., Ltd. 九江九整整流器有限公司	PRC Limited liability company	RMB70,793,900	**61%**	N/A	Manufacture and sale of rectifier

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2011	Attributable equity interest of the Group As at 31 December 2011	Attributable equity interest of the Group As at 31 December 2010	Principal activities
Zhejiang Saiying Power Technology Co., Ltd. 浙江賽英電力科技有限公司	PRC Limited liability company	RMB15,000,000	**72%**	N/A	Research, development, production and sale of power electronics components power transmission and distribution equipment and control equipment; Import and export (the business scope does not contain the projects that are prohibited or restricted by national regulations and licenses)
Zhejiang Jiashan Keneng Power Equipment Co., Ltd. 浙江嘉善科能電力設備有限公司	PRC Limited liability company	RMB37,500,000	**51%**	N/A	Production and sale, research and development of power equipment reactive power compensation device; information consulting service (the business scope does not contain the projects that are prohibited or restricted by national regulations and licenses)

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**610,311**	427,996	261,704	249,521	188,296
(Loss) profit for the year and total comprehensive (expense) income for the year	**(53,282)**	37,592	38,850	44,972	22,844
(Loss) profit attributable to:					
Owners of the Company	**(59,360)**	37,592	38,850	44,972	22,003
Non-controlling interests	**6,078**	–	–	–	841
	(53,282)	37,592	38,850	44,972	22,844

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,280,827**	1,099,357	338,022	166,465	136,622
Total liabilities	**(453,746)**	(264,725)	(106,022)	(51,153)	(90,348)
Non-controlling interests	**(45,797)**	(1,500)	–	–	(1,111)
Equity attributable to owners of the Company	**781,284**	833,132	232,000	115,312	45,163

Note:

The Company was incorporated in the Cayman Islands on 19 March 2010 and became the holding company of the Group on 23 September 2010. The results and assets and liabilities of the Group for 2007, 2008 and 2009 have been prepared on a combined basis as if the current group structure had been in existence throughout and at the end of those years and have been extracted from the prospectus dated 30 September 2010.