BOER POWER HOLDINGS LIMITED
博耳電力控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1685)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- Turnover amounted to RMB911,059,000, representing an increase of 85.7% as compared to 2009.
- Turnover from sales of Intelligent Electrical Distribution System Solutions increased by 204.8% to RMB490,781,000 which represented 53.9% of total turnover.
- Gross profit margin increased from 31.8% to 36.5%
- Profit attributable to equity shareholders amounted to RMB180,107,000, representing an increase of 135.7%.
- Basic and diluted earnings per share were RMB29.83 cents (2009: RMB13.58 cents)
- The Board of Directors proposed to declare a final dividend of HK7 cents per ordinary share.

The board of directors (the "Board") of Boer Power Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	**2010** **RMB'000**	2009 RMB'000
Turnover	*3*	**911,059**	490,716
Cost of sales		**(578,790)**	(334,587)
Gross profit		**332,269**	156,129
Other revenue	*4*	**9,488**	10,994
Selling and distribution expenses		**(31,203)**	(23,719)
Administrative expenses		**(91,982)**	(31,028)
Profit from operations		**218,572**	112,376
Finance costs	*5*	**(2,783)**	(12,225)
Share of profits of associates		**–**	403
Profit before taxation	*5*	**215,789**	100,554
Income tax	*6*	**(28,563)**	(15,331)
Profit for the year		**187,226**	85,223
Other comprehensive income for the year			
Exchange differences on translation of financial statements of operations outside mainland China		**(4,680)**	5
Total comprehensive income for the year		**182,546**	85,228

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2010

	Note	**2010** **RMB'000**	2009 RMB'000
Profit attributable to:			
Equity shareholders of the Company		**180,107**	76,403
Non-controlling interests		**7,119**	8,820
Profit for the year		**187,226**	85,223
Total comprehensive income attributable to:			
Equity shareholders of the Company		**175,427**	76,408
Non-controlling interests		**7,119**	8,820
Total comprehensive income for the year		**182,546**	85,228
Earnings per share			
Basic and diluted (RMB cents)	*8*	**29.83**	13.58

Details of the dividend proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**47,515**	41,981
Construction in progress		**16,828**	–
Intangible assets		**162**	24
Lease prepayments		**19,809**	20,131
Prepayments for purchase of equipment		**3,358**	–
Deferred tax assets		**1,738**	1,110
		89,410	63,246
Current assets			
Inventories		**29,037**	34,379
Trade and other receivables	*9*	**693,243**	213,758
Amounts due from directors		**–**	631
Amounts due from related parties		**–**	177,628
Pledged deposits		**19,640**	94,057
Time deposits with original maturity over three months		**658,954**	–
Cash and cash equivalents		**268,093**	27,762
		1,668,967	548,215
Current liabilities			
Bank loans	*10*	**–**	50,000
Trade and other payables	*11*	**377,327**	323,949
Amounts due to directors		**425**	138
Amounts due to related parties		**4,228**	25,424
Current taxation		**10,040**	6,766
		392,020	406,277
Net current assets		**1,276,947**	141,938
Total assets less current liabilities		**1,366,357**	205,184
Non-current liabilities			
Deferred tax liabilities		**–**	1,439
NET ASSETS		**1,366,357**	203,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**66,382**	7,511
Reserves	**1,299,975**	164,644
Total equity attributable to equity shareholders of the Company	**1,366,357**	172,155
Non-controlling interests	**–**	31,590
TOTAL EQUITY	**1,366,357**	203,745

NOTES

1. GENERAL INFORMATION

Boer Power Holdings Limited ("the Company") was incorporated in the Cayman Islands on 12 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as "the Group") are principally engaged in design, manufacture and sale of electrical distribution equipment and provision of electrical distribution systems solution services in the People's Republic of China (the "PRC").

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 October 2010 ("the Listing").

2. BASIS OF PREPARATION

Pursuant to a reorganisation, the Company acquired the equity interests of entities under common control, and became the holding company of the subsidiaries now comprising the Group, in preparation of the listing of the Company's shares on the Main Board of the Stock Exchange. Details of the reorganisation are set out in the prospectus of the Company dated 7 October 2010.

The Group is regarded as a continuing entity resulting from the reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the reorganisation.

The Group prepares its financial statements in accordance with all Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally acceptable in Hong Kong.

These consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis. The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

3. TURNOVER AND SEGMENT REPORTING

The principal activities of the Group are design, manufacture, sale of electrical distribution equipment and provision of electrical distribution systems solution services.

Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes.

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The Group has four separate segments:

– Electrical Distribution System Solutions ("EDS Solutions");

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions");

– Energy Efficiency Solutions ("EE Solutions"); and

– Components and Spare Parts Business ("CSP Business")

In presenting the information on the basis of business segments, segment turnover and results are based on the sales and gross profits of EDS Solutions, iEDS Solutions, EE Solutions and CSP Business.

	EDS Solutions *RMB'000*	**iEDS Solutions** *RMB'000*	**EE Solutions** *RMB'000*	**CSP Business** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2010					
Turnover	**322,630**	**490,781**	**1,552**	**96,096**	**911,059**
Cost of sales	**(210,263)**	**(306,832)**	**(508)**	**(61,187)**	**(578,790)**
Gross profit	**112,367**	**183,949**	**1,044**	**34,909**	**332,269**
Depreciation and amortisation included in cost of sales	**516**	**850**	**–**	**2,502**	**3,868**
Year ended 31 December 2009					
Turnover	258,936	161,017	915	69,848	490,716
Cost of sales	(178,416)	(110,077)	(295)	(45,799)	(334,587)
Gross profit	80,520	50,940	620	24,049	156,129
Depreciation and amortisation included in cost of sales	1,542	713	–	1,769	4,024

The reconciliation of depreciation and amortisation included in cost of sales to total depreciation and amortisation is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Cost of sales	**3,868**	4,024
Administrative expenses	**1,591**	1,581
	5,459	5,605

4. OTHER REVENUE

	2010	2009
	RMB'000	*RMB'000*
Interest income – financial institutions	**8,251**	2,398
Interest income – related parties	**–**	4,110
Effective interest income on other financial assets	**–**	2,654
Gain on early settlement of other loans	**–**	1,011
Government grants	**1,087**	722
Others	**150**	99
	9,488	10,994

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank borrowings	**2,783**	12,225
Staff costs:		
Contributions to defined contribution retirement plans	**2,698**	3,445
Salaries, wages and other benefits	**43,112**	37,853
	45,810	41,298
Other items:		
Amortisation of intangible assets	**39**	502
Amortisation of lease prepayments	**368**	137
Depreciation	**5,052**	4,966
Auditor's remuneration	**1,629**	60
Impairment losses for trade receivables	**106**	1,641
Impairment losses for other receivables written back	**(40)**	–
Operating lease charges in respect of properties	**1,632**	450
Research and development (other than staff costs)	**34,317**	–
Net foreign exchange loss	**843**	6
Cost of inventories#	**578,790**	334,587

\# *Cost of inventories includes RMB21,045,000 (2009: RMB28,357,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**30,630**	15,353
Deferred tax		
Origination and reversal of temporary differences	**(2,067)**	(22)
	28,563	15,331

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during each of the year ended 31 December 2010 and 2009.

(iii) PRC income tax

Pursuant to the income tax rules and regulations of the PRC, provision for PRC income tax of the Group is calculated based on the following rates:

	2010	2009
Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi") (note (a))	**12.5%**	12.5%
Boer (Yixing) Power System Co., Ltd. ("Boer Yixing") (note (a))	**12.5%**	12.5%
Yixing Boai Automation Complete Sets of Equipment Co., Ltd. ("Yixing Boai") (note (a))	**12.5%**	0%
Wuxi Boer Power Engineer Co., Ltd.	**25%**	25%

Note:

(a) Boer Wuxi, Boer Yixing and Yixing Boai were each exempt from corporate income tax for the first and the second years starting from the first profitable year from PRC tax perspective, and were subject to 50% of the applicable corporate income tax rates in the third through the fifth years ("the 2+3 tax holidays"). Boer Wuxi, Boer Yixing and Yixing Boai commenced their tax holidays in 2006, 2006 and 2008, respectively.

According to the PRC Corporate Income Tax ("CIT") Law, the statutory income tax rate is 25%. Further, according to the Notice of the State Council on the Implementation of the Transitional Preferential CIT Policies issued on 26 December 2007, for enterprises that were entitled to the 2+3 tax holidays under the then effective tax laws and regulations, such tax holidays were grandfathered.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

(iv) Withholding tax

According to the CIT Law, its implementation rules and the relevant regulations, PRC-resident enterprises are levied withholding tax at 10% on dividends to their non-PRC-resident corporate investors for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company is the "beneficial owner" and holds 25% of equity interests or more of the PRC company directly.

As all of the Group's PRC subsidiaries are directly or indirectly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

7. DIVIDEND

Dividends payable to equity shareholders of the Company attributable to the year:

	2010	2009
	RMB'000	*RMB'000*
Dividend proposed after the end of the reporting period of HK7 cents per ordinary share	**46,688**	–

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB180,107,000 (2009: RMB76,403,000) and the weighted average of 603,878,000 ordinary shares (2009: 562,500,000 shares after adjusting for issues upon legal establishment and reorganisation, and capitalisation issue in 2010) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
	'000	*'000*
Effect of issue upon legal establishment	**1**	1
Effect of capitalisation upon reorganisation	**9**	9
Effect of capitalisation issue	**562,490**	562,490
Effect of shares issued upon placing and public offering	**41,378**	–
Weighted average number of ordinary shares	**603,878**	562,500

There were no dilutive potential ordinary shares during the each of the year ended 31 December 2010 and 2009, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**658,656**	151,121
Bills receivable	**1,053**	7,831
Deposits and prepayments	**8,998**	17,682
Other receivables	**24,536**	37,124
	693,243	213,758

All of the trade and other receivables are expected to be recovered or realised within one year as the Group usually grants its customers a credit period ranging from one to twelve months, depending on the nature of the products.

(a) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including specific loss components, is as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**4,489**	5,496
Impairment loss recognised	**106**	1,641
Deemed distribution	**–**	(2,648)
At 31 December	**4,595**	4,489

The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes amongst other, externals ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Ageing analysis

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period.

	2010	2009
	RMB'000	*RMB'000*
Current	**479,031**	127,677
Less than 3 months past due	**29,928**	8,394
More than 3 months but less than 6 months past due	**112,419**	8,200
More than 6 months but less than 1 year past due	**29,918**	8,722
More than 1 year past due	**8,413**	5,959
Amounts past due	**180,678**	31,275
	659,709	158,952

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a wide range of customers that have a good track record with the Group and/or have good financial strength. Based on experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The directors consider that this is in line with the industry practice especially for infrastructure investment projects. The directors have considered the projects and background of each overdue debtor and considered that no additional impairment is needed.

The Group does not hold any collateral over these balances.

10. BANK LOANS

All bank loans have been repaid as at 31 December 2010. The bank loans as at 31 December 2009 were unsecured floating rate loans with effective interest rates from 4.86% to 5.31% and were denominated in RMB.

11. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**313,792**	112,858
Bills payable	**11,028**	152,000
Receipts in advance	**4,203**	39,938
Other payables and accruals	**48,304**	19,153
	377,327	323,949

Bills payable as at 31 December 2010 and 2009 were secured by pledged bank deposits.

11. TRADE AND OTHER PAYABLES (CONTINUED)

All of the trade and other payables are expected to be settled within one year.

An ageing analysis of the trade payables and bills payable is as follows:

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**292,482**	85,774
Due after 1 month but within 3 months	**32,338**	39,084
Due after 3 months but within 6 months	**–**	140,000
	324,820	264,858

12. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	2010	2009
	RMB'000	*RMB'000*
Authorised but not contracted for	**270,610**	50,000

(b) Operating lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**1,818**	302
After 1 year but within 5 years	**3,933**	845
After 5 years	**3,396**	240
	9,147	1,387

The Group leases certain properties under operating leases. The leases typically run for an initial period of ten years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the year, China continued to consolidate and boost its economy recovering from the global financial crisis. The overall economy in China performed well with the gross domestic product reaching RMB39.8 trillion in 2010, representing an increase of 10.3% as compared to 2009.

The fixed asset investment in China increased by 23.8% and reached RMB27.8 trillion during the year. The increase in fixed asset investment continued to be a direct driver of power transmission and electrical distribution market growth as a result of the increasing number of physical locations using electricity.

China is one of the largest electricity consumption countries in the world. In 2010, the total electricity consumption of China amounted to over 4.19 trillion kWh, representing an increase of 14.6% as compared to 2009. This growth rate of electricity consumption in China in 2010 was 8.12% higher than that of 2009 according to China Electricity Council. The growth was mainly driven by the increased electricity consumption by manufacturing and industrial sectors which accounted for 3.09 trillion kWh during 2010. The growth in electricity consumption continued to be the fundamental and solid driver of the power transmission and electrical distribution market.

Business Review

The Group achieved significant growth during the year. The total turnover of the Group amounted to RMB911,059,000 for the year ended 31 December 2010, representing an increase of 85.7% as compared to 2009. The increase in turnover was mainly as a result of the increase in market demand of our solutions and products and the expansion of our sales network. The total profit attributable to the equity shareholders of the Company amounted to RMB180,107,000 for the year ended 31 December 2010, representing an increase of 135.7% as compared to 2009.

As at 31 December 2010, the total assets of the Group was RMB1,758,377,000 (2009: RMB611,461,000) while the total liabilities was RMB392,020,000 (2009: RMB407,716,000) and the total equity of the Group amounted to RMB1,366,357,000 (2009: RMB203,745,000).

Operation and Financial Review

The Group has four business segments:

– Electrical Distribution System Solutions ("EDS Solutions");

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions");

– Energy Efficiency Solutions ("EE Solutions"); and

– Components and Spare Parts Business ("CSP Business")

All four business segments recorded solid performance and significant growth during the year.

EDS Solutions

Electrical distribution system lies between grid and end users to distribute electricity at converted voltage for end users. We provide integrated electrical distribution systems and solutions, design dedicated electrical distribution systems according to customers' operating requirements, and provide matching medium– and low-voltage electrical distribution equipment. Our EDS Solutions have been extensively used in many large telecommunication, infrastructure, medical and industrial projects.

The total sales of EDS Solutions of the Group for the year ended 31 December 2010 amounted to RMB322,630,000 (2009: RMB258,936,000), representing 35.4% (2009: 52.8%) of the Group's total turnover during the year. The increase in total sales of EDS Solutions was principally a result of the increased market demand of our solutions and our effort in sales and marketing network. The reportable segment gross profit of this business segment during the year was RMB112,367,000 (2009: RMB80,520,000), representing an increase of 39.6% as compared to that of 2009.

The segment gross profit margin of EDS Solutions segment increased from 31.1% for 2009 to 34.8% for the year.

iEDS Solutions

On top of EDS Solutions, we also provide electrical distribution systems with automation features, such as automatic data acquisition and analysis, remote control and automated diagnosis, through which the users can remotely control their electrical distribution systems and analyse the operating status. These functions are useful and important to the users who require more stable and safer electrical distribution systems, such as the telecommunication and medical services industries.

The total sales of iEDS Solutions of the Group for the year ended 31 December 2010 was RMB490,781,000 (2009: RMB161,017,000), which accounted for approximately 53.9% (2009: 32.8%) of the Group's total turnover during the year. The significant increase in the sales of our iEDS Solutions of 204.8% was mainly attributable to the increased market demand in intelligent power transmission and electrical distribution solutions and related products amid with the overall development of electricity market in the PRC. The reportable segment gross profit of this business segment was RMB183,949,000 (2009: RMB50,940,000), representing an increase of 261.1% as compared to that of 2009.

The segment gross profit margin of iEDS Solutions segment increased from 31.6% for 2009 to 37.5% for the year.

EE Solutions

Using the data collected by the electrical distribution systems using our iEDS Solutions, we can analyse and improve the safety, stability and efficiency of our customers' electrical distribution systems. The services of EE Solutions include equipment maintenance and a number of other value-added services.

The total sales of EE Solutions of the Group for the year ended 31 December 2010 was RMB1,552,000 (2009: RMB915,000), which accounted for approximately 0.2% (2009: 0.2%) of the Group's total turnover during the year. The reportable segment gross profit of this business segment was RMB1,044,000 (2009: RMB620,000), representing an increase of 68.4% as compared to that of 2009.

The segment gross profit margin of EE Solutions segment slightly decreased from 67.8% for 2009 to 67.3% for the year.

CSP Business

We also manufacture spare parts and components for electrical distribution equipment and systems and sell such spare parts and components to our customers.

The total sales of the CSP Business of the Group for the year ended 31 December 2010 was RMB96,096,000 (2009: RMB69,848,000), which accounted for approximately 10.5% (2009: 14.2%) of the Group's total turnover during the year. The increase in sales of CSP Business was mainly a result of our effort in expanding our components manufacturing capability and business. The reportable segment gross profit of this business segment was RMB34,909,000 (2009: RMB24,049,000), representing an increase of 45.2% as compared to that of 2009.

The segment gross profit margin of CSP Business segment increased from 34.4% for 2009 to 36.3% for the year.

Prospect

As outlined in the recently announced "12th Five Year Plan" and at the recent 4th Meeting of the 11th session of the National Committee of the Chinese People's Political Consultative Conference and the 4th Meeting of the National People's Congress of the PRC, Chinese government has established a clear direction for the future economic plans of China which places a great emphasis on environmental protection and energy conservation and smart grid is classified as the development focus of the new energy industry. We believe that the estimated total investment on smart grid in China will exceed RMB4 trillion in the coming decade.

In addition, with the rapid growth in the economy and further urbanisation and construction of China, the demand for power supply in China is increasing. Benefiting from these favourable industry conditions, the Group has taken advantage of the opportunities that has arisen from the market and strengthened its position in the electrical distribution market of the PRC.

As for business development, the Group will continue to focus on further business expansion and maintain its leading position in the industry. Looking forward, while capturing the momentum of the rapid development of the high-end market, the Group will further expand its upstream component production capability and expand its downstream sales channel and market segment in China in order to enlarge our market share in the industry and sustain a long term growth.

Infrastructure project is expected to be our major growth driver in the near future. We have completed a large number of electrical distribution projects in the infrastructure sector in the past. We believe our knowledge, experience and reputation in the infrastructure section well allow us to secure more projects in the near future.

The cooperation between the Group and China Mobile is expected to undergo another breakthrough in the near future. We have already provided various electricity distribution solutions to China Mobile in the past. We are devoted to expanding our business with China Mobile, and target to provide our comprehensive and customised solutions to more provinces and municipalities covered by China Mobile in the coming years.

Smart grid is the development focus of the electricity market in China in the coming years and the estimated total investment on smart grid is huge in the coming decade. The iEDS Solutions provided by us to our customers are fully automated and computerised system with various intelligent functions and features. We believe that the development of smart grid in China will further enhance the market demand for intelligent power transmission and electricity distribution systems and products.

Components are the key and foundation of providing customised and tailor-made solutions to our customers. We also manufacture and sell the components directly to our customers. We are also looking to further expand our components manufacturing capability in the near future.

Another focus of the Group in the coming years lies in research and development in production capacity and technology. The construction of the Group's new plant in Wuxi, which is expected to commence its operation this year, will allow a twofold increase in production capacity. In addition, the Group will continue to enhance the advanced technology capabilities and increase its effort in research and development, which mainly focus on the technology of energy conservation and smart grids.

In view of the favourable national policy, the Group will capture the opportunities that has arisen and continue to maintain its position in the high-end market and provide products and services with high quality and advanced function for our customers with the aim of achieving international standard. With the rapid development in the smart grid industry and our continuing effort in developing our electrical distribution systems and services compatible with the smart grid systems, the Group will work on generating an even better return for its shareholders in the future.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the year under review. The Group was financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The cash and cash equivalents balance as at 31 December 2010 amounted to RMB268million. As at 31 December 2010, the Group's financial position remained healthy, with equity attributable to equity shareholders of the Company of RMB1,366million (2009: RMB172million).

Significant Investment Held, Material Acquisition and Disposal

During the year, the Company's indirect wholly-owned subsidiary, Power Investment (H.K.) Limited ("Boer Hong Kong"), as transferee, entered into the Equity Interest Transfer Agreement with Wuxi Weiqi Trading Co., Ltd. ("Wuxi Weiqi") as transferor, pursuant to which Boer Hong Kong acquired 25% equity interest in Yixing Boai for an aggregate consideration of RMB2.5 million (equivalent to approximately HK$2.96 million). Upon Completion on 29 October 2010, the equity interest owned by Boer Hong Kong in Yixing Boai increased from 75% to 100% and Yixing Boai became a wholly-owned subsidiary of the Company.

Employees and Remuneration Policy

The Group had 961 employees as at 31 December 2010. The total staff costs for the year under review were approximately RMB46 million (2009: RMB41 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

Use of Proceeds from the Global Offering

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") with a total of 215,625,000 offer shares (including shares issued as a result of the exercise of the over-allotment option). The net proceeds raised from the global offering was approximately RMB1,067 million (equivalent to HK$1,251 million) (the "Net Proceeds").

As at 31 December 2010, approximately RMB10 million, RMB9 million, RMB14 million, RMB2 million and RMB106 million of the proceeds were used for expanding our upstream component production capability, expanding our downstream sales channel and market segment in China, paying the outstanding balance of the consideration in relation to the construction and completion of our new plant, purchasing of equipment in our new plant and funding our working capital and other general corporate purposes, respectively. The unused balance of the proceeds of RMB926 million are placed with reputable banks as the Group's time deposits and cash and cash equivalents.

It was stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus of the Company dated 7 October 2010 that the Company intended to use approximately 35% of the net proceeds received from the global offering for setting up new companies or acquisition of companies in the electrical distribution business to expand our downstream sales channel and market segment. Since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010, the Company has incurred approximately RMB9 million for expanding our downstream sales channel and market segment in China by setting up a new division in our existing subsidiary, instead of setting up new companies or acquisition of companies, to develop our sales activities in the southern China. The Company considers that the use of such RMB9 million is in line with the strategy and future plans of the Company to expand our downstream sales channel and market segment in China and does not constitute a material change to the use of proceeds as set out in the Prospectus. The Company also considers that it is beneficial to and in the interest of the shareholders of the Company to apply such proceeds to expand our downstream sales channel and market segment.

DIVIDEND

The Board has recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Tuesday, 7 June 2011, a payment of final dividend of HK7 cents (2009: Nil) per share for the year ended 31 December 2010, payable to shareholders whose names appear in the Register of Members of the Company on Tuesday, 7 June 2011. The said dividend will be payable on or about Tuesday, 21 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 31 May 2011 to Tuesday, 7 June 2011 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend for the reporting year and for attending and voting at the 2010 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the reporting year.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintain a good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 to 31 December 2010, the Company has applied the principles of and complied with most of the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exception of code provisions A2.1 and C1.3 of the CG Code which are explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code provision C.1.3

Code provision C.1.3 stipulates that the Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

During the year, the Company's indirect wholly-owned subsidiary, Boer Hong Kong, as transferee, entered into the Equity Interest Transfer Agreement with Wuxi Weiqi as transferor, pursuant to which Boer Hong Kong acquired 25% equity interest in Yixing Boai for an aggregate consideration of RMB2.5 million (equivalent to approximately HK$2.96 million). Upon Completion on 29 October 2010, the equity interest owned by Boer Hong Kong in Yixing Boai increased from 75% to 100% and Yixing Boai became a wholly-owned subsidiary of the Company.

Furthermore, Wuxi Weiqi is a company owned as to 90% by Ms. Qian Yiying and 10% by Mr. Tao Qi. Ms. Qian Yiying and Mr. Tao Qi are respectively (a) the daughter and son-in-law of Mr. Qian Zhongming (a Director); (b) the sister and brother-in-law of Mr. Qian Yixiang (the chairman, chief executive officer and controlling shareholder of the Company); and (c) the sister-in-law and brother-in-law of Ms. Jia Lingxia (a Director and controlling shareholder of the Company), Wuxi Weiqi is therefore a connected person of the Company and accordingly the execution of the Equity Interest Transfer Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios for the Company with respect to this transaction exceeds 5% but is less than 25% and the Consideration is less than HK$10,000,000, the transaction is subject to the reporting and announcement requirements and is exempt from the approval by the independent shareholders of the Company pursuant to Rule 14A.32 of the Listing Rules.

Due to an inadvertent oversight, the Company has failed to timely comply with the reporting and disclosure requirements under the Listing Rules in respect of this transaction. The omission was discovered at the end of February 2011 and the Company forthwith notified the Stock Exchange and has taken steps to rectify the omission by way of announcement on 3 March 2011.

MODEL CODE FOR 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 the Company's code of conduct regarding securities transactions by Directors of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors of the Company, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 to 31 December 2010.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the period since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 to 31 December 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive Directors, namely Mr. YEUNG Chi Tat (Chairman of the Audit Committee), Mr. TANG Jianrong and Mr. ZHAO Jianfeng. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year ended 31 December 2010 of the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wuxi-power.com.

The annual report of the Company for year ended 31 December 2010 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

The Board of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and the fellow Directors and our staff for their dedication and hard work.

THE BOARD

As at the date of this announcement, the executive Directors of the Company are Mr. QIAN Yixiang, Ms. JIA Lingxia, Mr. ZHA Saibin and Mr. QIAN Zhongming, the independent non-executive Directors of the Company are Mr. YEUNG Chi Tat, Mr. TANG Jianrong and Mr. ZHAO Jianfeng.

By order of the Board
Mr. Qian Yixiang
Chairman

Hong Kong, 23 March 2011