
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RESTRICTION ON DISPOSAL OF SHARES

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that save as pursuant to the Stock Borrowing Agreement or note (2) to Rule 10.07(2) of the Listing Rules, he/she/it will not:

- (a) at any time in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which he/she/it was shown in this prospectus to be the beneficial owner; and
- (b) at any time during the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon exercise of or enforcement of such options, rights, interests or encumbrances, he/she/it will then cease to be a Controlling Shareholder of our Company.

Further restrictions on the disposal of Shares by our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement are set out in the paragraph headed “Undertakings – By our Controlling Shareholders” under the section headed “Underwriting” of this prospectus.

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Immediately following completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option), King Able and Silver Crest will hold 69% and 6% of our Company’s issued share capital respectively. Since each of Mr. Qian Yixiang and Ms. Jia Lingxia holds 50% of the issued share capital of King Able, they are Controlling Shareholders of our Company.

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Immediately after completion of the Global Offering, our Controlling Shareholders will control the exercise of voting rights of 69% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised). Save and except for their interest in our Company, our Controlling Shareholders had no interest in any other companies as at the Latest Practicable Date which may, directly or indirectly, compete with our Group’s business.

Although Mr. Qian Yixiang, one of our Controlling Shareholders and executive Directors, has interests in the following companies, such companies do not carry on any business which, directly or indirectly, competes with the business of our Group:

(i) **Wuxi Boer**

As at the Latest Practicable Date, Wuxi Boer was held as to 80% and 20% by Mr. Qian Yixiang and Mr. Qian Zhongming, one of our executive Directors, respectively. Through the business restructuring of Wuxi Boer, all substantive business operations of Wuxi Boer had been assumed by our Group by 31 December 2009 and since then, Wuxi Boer has not carried on any business which competed with the business of our Group. Details of the business restructuring of Wuxi Boer are set out in the subparagraph headed “Origin of our Group” in the paragraph headed “Our History and Development” of the section headed “History and Reorganisation” in this prospectus.

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(ii) **Shanghai Boer**

As at the Latest Practicable Date, Shanghai Boer was held as to 49% by Wuxi Boer, which in turn was owned as to 80% and 20% by Mr. Qian Yixiang and Mr. Qian Zhongming, respectively, as mentioned in paragraph (i) above. Currently, the business of Shanghai Boer does not compete with that of our Group because the electrical components manufactured by our Group are different to those manufactured by Shanghai Boer in terms of their usages and functions. Shanghai Boer is engaged in the manufacture and sale of electrical components, such as air circuit breakers and moulded case circuit breakers, which are the upstream components used in our EDS Solutions and iEDS Solutions and are designed for use in the electrical rooms of premises where the electricity voltage is below 690 volts. The electrical components and spare parts manufactured by our Group are used in various other stages of the electricity system in which the electricity voltages are different. For example, the medium voltage breakers manufactured by us are used for distribution of electricity from the power connection to the facilities of the users where the electricity voltage is above 3.6kV, and the mini circuit breakers manufactured by us are the terminal distribution component applied in the facilities of the end user of power. Currently, Shanghai Boer does not have the necessary facilities and technologies to manufacture the electrical components which we provide and our Group also does not have the necessary facilities and technologies to manufacture the electrical components provided by Shanghai Boer. Given that (a) any transfer of equity interest in Shanghai Boer by Mr. Qian Yixiang will be subject to the pre-emption right of the majority shareholder of Shanghai Boer and the relevant laws and regulations of the PRC and (b) the business of Shanghai Boer does not, directly or indirectly, compete with that of our Group, Mr. Qian Yixiang does not intend to inject his interest in Shanghai Boer into our Group.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (collectively the “**Covenantors**”) have entered into a deed of non-competition (the “**Non-competition Deed**”) in favour of our Company, pursuant to which the Covenantors have undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that each of them would not, and would procure that their respective associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise or whether for profit, reward or otherwise) in any business which is or may be in competition, whether directly or indirectly, with the principal business of any of the members of our Group from time to time (the “**Restricted Business**”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, and at the request of our Group, the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and our Shareholders as a whole to pursue such opportunity, and our Company, after review by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his/her associates, provided that the principal terms by which the Covenantor (or its/his/her associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

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- (b) having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Covenantor and/or its/his/her associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Covenantor and/or its/his/her associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantor and its/his/her associates in aggregate.

If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or his/her/its associates (or any of them, as the case may be), pursuant to (a) above, the Covenantor and/or his/her/its associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or his/her/its associates (or any of them, as the case may be).

The "restricted period" stated in the Non-competition Deed refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; and (ii) the Covenantor and/or his/her/its associates are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Each of the Covenantors has further undertaken and covenanted with our Company that, for so long as the Non-competition Deed remains in effect, the Covenantor would:

- (i) promptly provide to our Company such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantor of its/his/her obligations under the Non-competition Deed;
- (ii) allow the independent non-executive Directors to review, at least on an annual basis, the compliance with the Non-competition Deed by the Covenantor, the options, pre-emptive rights or first rights of refusals (if any) provided by the Covenantor on its/his/her existing or future competing businesses;
- (iii) undertake to provide all information necessary for annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;
- (iv) allow our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed either through the annual report, or by way of announcements;
- (v) make an annual declaration on compliance with the Non-competition Deed in the annual report of our Company and disclosure on how the Non-competition Deed has been complied with and enforced, consistent with the principle of making voluntary disclosure in the corporate governance report; and
- (vi) where the Covenantor is a controlling shareholder of our Company or a Director, the Covenantor would not vote or be counted in the quorum on any resolution where there is actual or potential conflicting interest on the part of the Covenantor.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Global Offering and upon Listing:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Both Mr. Qian Yixiang and Ms. Jia Lingxia, two of our Controlling Shareholders, are executive Directors of our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational Independence

We have independent access to raw materials for the production of our products. We have also established a set of internal controls to facilitate the effective operation of our business. Our Group has registered certain patents and trademarks and is in the process of application for registration of additional patents and trademarks which we utilise in marketing our integrated solutions.

In addition, our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

- (i) there is no competing business between our Group and any of our Controlling Shareholders;
- (ii) our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. Apart from (a) the lease agreement entered into between Wuxi Boer, a company which Mr. Qian Yixiang is able to exercise or control the exercise of 30% or more of the voting power, as landlord and Boer Wuxi as tenant and (b) the lease agreement entered into between Wuxi Boer as landlord and Boer Services Co as tenant, both as set out under the paragraph headed “Exempt Continuing Connected Transactions under Rule 14A.33(3)(a)” in the section headed “Connected Transactions” in this prospectus, and (c) the Master Agreement as set out under the paragraph headed “Non-Exempt Continuing Connected Transactions” in the section headed “Connected Transactions” in this prospectus, no services are intended to be provide by our Controlling Shareholders and/or their associates to our Group;
- (iii) other than the business contracts in the ordinary and usual course of business of our Group, none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the major suppliers of our Group; and

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- (iv) other than the business contracts in the ordinary and usual course of business of our Group, none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the major customers of our Group.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying out its business independently of our Controlling Shareholders (including any associate thereof) after the Listing.