
CONNECTED TRANSACTIONS

After the Listing, the following transactions will be regarded as our connected transactions within the meaning of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.33(3)(A)

(i) **Lease for 3 buildings besides national highway No. 312, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC**

On 22 February 2010, Wuxi Boer and Boer Wuxi entered into a lease agreement (the “**Boer Wuxi Lease**”), pursuant to which Wuxi Boer leased to Boer Wuxi 3 buildings besides national highway No. 312, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC (“**Boer Wuxi Buildings**”) for production and storage purposes, with a gross floor area of approximately 8,500 square meters. The monthly rental under the Boer Wuxi Lease is RMB70,000 and the term of the Boer Wuxi Lease is 10 years which commenced on 1 January 2010 and will continue until 31 December 2019. The term of the Boer Wuxi Lease will renew automatically for another 10 years at its expiry unless otherwise agreed by both parties in writing. The Boer Wuxi Buildings are currently occupied by our Group for production and storage purposes and our Group has a plan to develop the Boer Wuxi Buildings to be a research and development centre of our Group within three years after Listing.

Under the Boer Wuxi Lease, the maximum aggregate annual value of the rental during its term will be RMB840,000, which has been determined by reference to the terms and conditions of the Boer Wuxi Lease and the prevailing market rate. The monthly rental payable by Boer Wuxi under the Boer Wuxi Lease is determined on terms more favourable to our Group than it is available from Independent Third Parties.

(ii) **Lease for a unit on Level 2 of Building No. 7, besides national highway No. 312, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC**

On 22 February 2010, Wuxi Boer and Boer Services Co entered into a lease agreement (the “**Boer Services Co Lease**”), pursuant to which Wuxi Boer leased to Boer Services Co an office unit located on Level 2 of Building No. 7, besides national highway No. 312, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC (“**Boer Services Co Office**”), with a gross floor area of approximately 80 square meters. The monthly rental under the Boer Services Co Lease is RMB 600 and the term of the Boer Services Co Lease is 10 years which commenced on 1 January 2010 and will continue until 31 December 2019. The term of the Boer Services Co Lease will renew automatically for another 10 years at its expiry unless otherwise agreed by both parties in writing. The Boer Services Co Office is currently occupied by our Group as an office of Boer Services Co.

Under the Boer Services Co Lease, the maximum aggregate annual value of the rental during its term will be RMB 7,200, which has been determined by reference to the terms and conditions of the Boer Services Co Lease and the prevailing market rate. The monthly rental payable by Boer Services Co under the Boer Services Co Lease is determined on terms more favourable to our Group than it is available from Independent Third Parties.

(iii) **Lease for an office building and 3 workshops located at Industrial Centralised Area, Dajian Village, Wanshi Town, Yixing City, Jiangsu Province, the PRC**

On 1 January 2010, Yixing Boai and Boer Yixing entered into a lease agreement (the “**Boer Yixing Lease**”), pursuant to which Yixing Boai leased to Boer Yixing an office building and 3 workshops located at Industrial Centralised Area, Dajian Village, Wanshi Town, Yixing City, Jiangsu Province, the PRC (“**Boer Yixing Buildings**”), with a total gross floor area of approximately 4,460 square meters. The annual rental under the Boer Yixing Lease is RMB100,000 and the term of the Boer Yixing Lease is 10 years which commenced on 1 January 2010 and will continue until 31 December 2019. The Boer Yixing Buildings are currently occupied by our Group and used by us as offices and workshops of Boer Yixing.

CONNECTED TRANSACTIONS

Under the Boer Yixing Lease, the maximum aggregate annual value of the rental during the term will be RMB100,000, which has been determined by reference to the terms and conditions of the Boer Yixing Lease and the prevailing market rate. The annual rental payable by Boer Yixing under the Boer Yixing Lease are on terms more favourable to our Group than those that are available from Independent Third Parties.

The entering into of the Boer Wuxi Lease, the Boer Services Co Lease and the Boer Yixing Lease (collectively the “Leases”) are continuing connected transactions of our Group for the following reasons:

- (a) Mr. Qian Yixiang, an executive Director and one of our Controlling Shareholders, holds 80% of the equity interests in Wuxi Boer and is able to exercise or control the exercise of 30% or more of the voting power at the general meetings of Wuxi Boer. As such, Wuxi Boer is an associate of Mr. Qian Yixiang and therefore a connected person of our Company and the entering into of the Boer Wuxi Lease and the Boer Services Co Lease are continuing connected transactions of the our Group; and
- (b) despite that our Group is the beneficial owner of 75% equity interest in Yixing Boai, the remaining 25% equity interest is held by Wuxi Weiqi which in turn is held by Ms. Qian Yiying and Mr. Tao Qi. Ms. Qian Yiying and Mr. Tao Qi are the sister and brother-in-law of Mr. Qian Yixiang respectively, and they are associates of Mr. Qian Yixiang and connected persons of our Company. As such, the entering into of the Boer Yixing Lease is a continuing connected transaction of our Group.

Our Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Leases have been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and the continuing connected transactions and the proposed maximum aggregate annual values of rentals under the Leases are fair and reasonable and in the interests of our Company and its Shareholders as a whole. The long-term nature of the Leases will provide stability for our Group’s business operations. They enable our Group to secure a location for its offices, workshops and research and development centre at a price lower than the prevailing market rate and to prevent unnecessary cost, effort, time and interruption of business caused by relocation in the case of short-term lease. They also enable our Group to minimise the decoration and lease renewal expenses in the case of short-term lease. As such, our Directors (including the independent non-executive Directors) are of the view that a term exceeding three years is required for the Leases and that it is a normal business practice to maintain such long-term leases.

The annual rental of each of the Leases will be less than HK\$1,000,000 and each of the percentage ratios (other than profit ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the transactions under each of the Leases is, on an annual basis, expected to be less than 5%. Hence, the transactions under the Leases will be exempt from the reporting, annual review, announcement and independent shareholders approval requirements pursuant to Rule 14A.33 of the Listing Rules.

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NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We started purchasing parts and components used in our EDS Solutions and iEDS Solutions from Shanghai Boer in 2008 and the aggregate values of the parts and components we purchased from Shanghai Boer for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were nil, RMB1.0 million, RMB4.7 million and RMB2.7 million, respectively. In order to secure a steady supply of the types of parts and components manufactured by Shanghai Boer and to apply the products manufactured by Shanghai Boer in the EDS Solutions and iEDS Solutions we offer, Boer Yixing and Shanghai Boer entered into the Master Agreement valid for three years from 1 January 2010 to 31 December 2012, pursuant to which:

- (a) Shanghai Boer has agreed to purchase a range of products, including contactor and mini circuit breaker, from Boer Yixing in an aggregate annual value of not more than RMB20 million, RMB30 million and RMB40 million in the years of 2010, 2011 and 2012 respectively. The prices of the products supplied by Boer Yixing to Shanghai Boer will be determined with reference to the prevailing market prices of the products at the time of the procurement; and
- (b) Boer Yixing has agreed to purchase a range of parts and components, including air circuit breaker and moulded case circuit breaker, from Shanghai Boer in an aggregate annual value of not more than RMB10 million, RMB20 million and RMB30 million in the years of 2010, 2011 and 2012 respectively. The prices of the parts and components supplied by Shanghai Boer to Boer Yixing will be determined with reference to the prevailing market prices of the parts and components at the time of the procurement.

The maximum aggregate annual values of our purchases from Shanghai Boer set out in the Master Agreement are determined with reference to (i) the amount of our purchases of parts and components from Shanghai Boer during the Track Record Period; (ii) the expected growth of the sales of our EDS Solutions and iEDS Solutions in the next three years; (iii) the expected increase in the market prices of the parts and components to be manufactured by Shanghai Boer in the next three years and (iv) the expected amounts of purchase from Shanghai Boer of additional categories of products which we did not purchase from Shanghai Boer before and which our Group used to procure from other suppliers during the Track Record Period.

During the Track Record Period, Shanghai Boer did not purchase any product from Boer Yixing because our Group did not manufacture the products required by Shanghai Boer, such as contactors and mini circuit breakers, and Shanghai Boer used to purchase such products from other suppliers. Since our Group launched such products in 2010, Shanghai Boer agreed to purchase such products from our Group. Therefore, the maximum aggregate annual values of our sales to Shanghai Boer are determined with reference to (i) the amounts of purchase of such products by Shanghai Boer from other suppliers during the Track Record Period; (ii) the expected demand of Shanghai Boer for our products in the next three years; and (iii) the expected increase in the market prices of our products which Shanghai Boer will purchase in the next three years.

Mr. Qian Yixiang, an executive Director and one of our Controlling Shareholders, is able to exercise or control the exercise of 30% or more of the voting power at general meetings of Wuxi Boer which in turn is able to exercise or control the exercise of 30% or more of the voting power at general meetings of Shanghai Boer. Accordingly, each of Wuxi Boer and Shanghai Boer is an associate of Mr. Qian Yixiang and therefore a connected person of our Company.

Given that (i) the above relationships between Shanghai Boer, as well as its equity holders, and our Group and (ii) the annual consideration for the transactions under the Master Agreement exceeds HK\$10,000,000 and each or all of the applicable percentage ratios under Chapter 14A of the Listing Rules is/are on an annual basis more than 5%, the transactions under the Master Agreement will constitute non-exempt continuing connected transactions under Rule 14A.35 of Chapter 14A of the Listing Rules upon Listing and our Company must comply with the applicable reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

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Our Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Master Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms, and the continuing connected transactions and the proposed maximum aggregate annual values of the transactions under the Master Agreement are fair and reasonable and in the interest of our Company and its Shareholders as a whole. Accordingly, notwithstanding that the Master Agreement constitutes continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would be inappropriate, impractical and unduly burdensome for all transactions under such documents to be subject to strict compliance with the requirements set out in Chapter 14A of the Listing Rules, including, amongst other things, the periodic announcement and approval by the independent Shareholders.

Accordingly, our Group has applied for, and the Stock Exchange has granted, a waiver, pursuant to Rule 14A.42(3) of Chapter 14A of the Listing Rules, from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Master Agreement for so long as the Shares are listed on the Stock Exchange.

CONFIRMATION FROM SPONSOR

The Sole Sponsor is of the view that the continuing connected transactions described above have been, and will be, entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole, and the proposed maximum aggregate annual values of our purchases from and sales to Shanghai Boer under the Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.