The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited combined financial statements as of and for each of the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 and the accompanying notes, all included in the Accountants' Report set out in Appendix I to this prospectus. We have prepared our financial information in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading one-stop designer, manufacturer and seller of high-quality integrated electrical distribution systems and solutions in China with over 20 years of industry experience. According to the Roland Berger Report, we are the largest pure-domestic electrical distribution systems and solutions provider in the high-end segment of the electrical distribution equipment market by revenue in China in 2008. We offer bespoke electrical distribution systems, intelligent electrical distribution systems and energy saving systems, and are one of the few suppliers who are able to offer one-stop integrated electrical distribution systems and solutions in China. Our electrical distribution systems and solutions are used for distributing a suitable volume and voltage of power from the power connection to the premises and facilities of our customers in accordance with the specific needs of their business operations. Our electrical distribution systems and solutions are custom-designed and implemented according to our clients' specific needs, and are aimed at improving the safety, stability and efficiency of their electrical distribution systems.

Within the high-end segment of electrical distribution equipment in China, we were ranked 6th by revenue in 2008. We have built our reputation as a high-end supplier of electrical distribution systems and solutions and distinguished ourselves from the majority of cost-driven domestic manufacturers in the low-end MV and LV electrical distribution system market. We have identified telecommunications, water and waste water processing, infrastructure construction, cement and healthcare as the focus of our business development. We believe the experience and expertise we gained allow us to satisfy the unique customers needs in these industries, which in turn contribute positively to our business.

We have a strong management team that possesses extensive experience and industry knowledge and expertise. Our chairman and chief executive officer, Mr. Qian Yixiang, has over 15 years of experience in the electrical distribution equipment industry and is responsible for the overall management and strategic development of us. We have two representative offices in Beijing and Nanjing, which are responsible for the sales and marketing of our products and services in northern China and southern China, respectively, and managing 27 cities of points of sales across China.

During the Track Record Period, our revenues for the three years ended 31 December 2007, 2008 and 2009, the six months ended 30 June 2009 and the six months ended 30 June 2010 were RMB357.3 million, RMB405.5 million, RMB490.7 million, RMB213.9 million and RMB432.5 million, respectively, while our profits for the same periods were RMB40.0 million, RMB53.4 million, RMB85.2 million, RMB37.2 million and RMB89.7 million, respectively.

Our operating results are derived from our EDS Solutions, iEDS Solutions, EE Solutions and Components and Spare Parts Business segments which accounted for RMB258.9 million, RMB161.0 million, RMB0.9 million and RMB69.8 million, or 52.8%, 32.8%, 0.2% and 14.2%, respectively, of our revenue and RMB80.5 million, RMB50.9 million, RMB0.6 million and RMB24.0 million, or 51.6%, 32.6%, 0.4% and 15.4%, respectively, of our gross profit for the year ended 31 December 2009.

For the six months ended 30 June 2010, our EDS Solutions, iEDS Solutions, EE Solutions and Components and Spare Part Business segments accounted for RMB185.7 million, RMB202.9 million, RMB1.2 million and RMB42.7 million, or 42.9%, 46.9%, 0.3% and 9.9%, respectively, of our revenue and RMB65.3 million, RMB73.6 million, RMB0.8 million and RMB14.8 million, or 42.3%, 47.6%, 0.5% and 9.6%, respectively, of our gross profit.

BASIS OF PRESENTATION

Our combined financial statements have been prepared in accordance with HKFRSs on a historical cost basis. The financial statements of the subsidiaries are prepared for the same reporting year as our Company, using consistent accounting policies.

An investment in a subsidiary is combined in the combined financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the equity shareholders, whether directly or indirectly through subsidiaries. The combined financial statements are presented in Renminbi.

The results of the Predecessor Entity which is not a Group company was also combined in the financial statements of our Group during the Track Record Period. The Predecessor Entity was incorporated in the PRC on 18 October 1988. On 18 May 2005, the Predecessor Entity, Boer Hong Kong, Mr. Qian Yixiang, Mr. Qian Zhongming and Ms. Jia Lingxia entered into a business restructuring agreement, pursuant to which Mr. Qian Zhongming agreed to assign his controlling rights in relation to the business operations of the Predecessor Entity to his son, Mr. Qian Yixiang, and his daughter-in-law, Ms. Jia Lingxia, at no consideration. Pursuant to such assignment arrangement, the equity holders of the Predecessor Entity passed an equity holders' resolution on 20 October 2006 approving the appointments of Mr. Qian Yixiang as the sole executive director taking charge of the overall management and decision making of the Predecessor Entity and Ms. Jia Lingxia as the vice general manager responsible for the daily operation of the Predecessor Entity.

The equity holders of the Predecessor Entity passed another equity holders' resolution on 12 June 2007 approving the transfer of 31% equity interest in the Predecessor Entity from Mr. Qian Zhongming to Mr. Qian Yixiang and the relevant registration of such transfer was completed on 27 June 2007. Upon the completion of such transfer, the Predecessor Entity was owned as to 80% and 20% by Mr. Qian Yixiang and Mr. Qian Zhongming, respectively.

By virtue of the above business agreement and operation arrangements, Mr. Qian Yixiang and Ms. Jia Lingxia had obtained the control over the business operations of the Predecessor Entity since the passing of the aforesaid equity holders' resolution on 20 October 2006 and retained such control during the entire Track Record Period. During the Track Record Period and as part of the restructuring of the Predecessor Entity's business operations in the design, manufacture and sale of electrical distribution equipment and provision of electrical distribution systems solutions services (collectively, the "**Predecessor Operations**"), the Predecessor Operations were transferred to and assumed by the companies now comprising our Group. The transfer of Predecessor Operations commenced after Boer Wuxi and Boer Yixing were established. The transfer was completed through stages and was completed on 31 December 2009.

As our Controlling Shareholders owned or controlled the Predecessor Entity and the companies now comprising our Group before the transfer of the Predecessor Operations and the Reorganisation and continue to control the companies now comprising our Group after the transfer of the Predecessor Operations and the Reorganisation, there was a continuation of the risks and benefits to our Controlling Shareholders and the financial information of the Accountants Report as set out in Appendix I to this prospectus has been prepared as a combination of businesses under common control.

The combined financial results as set out in the Accountants Report as set out in Appendix I to this prospectus includes the combined results of operations of the Predecessor Entity and that of the companies now comprising our Group as if our Group had been in existence throughout the Track Record Period and as if the transfer of the Predecessor Operations to our Group had been completed at the beginning of the Track Record Period. The combined financial positions of our Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 as set out in the Accountants' Report as set out in Appendix I to this prospectus include the combined assets and liabilities of the companies now comprising our Group as at the respective dates. The assets and liabilities of the Predecessor Entity as at 31 December 2007 and 2008 have also been included in our Group's combined balance sheets as at the respective dates. Certain assets and liabilities previously associated with the Predecessor Operations were retained by the Predecessor Entity (the "**Retained Assets**") upon the completion of the transfer as at 31 December 2009, as they were not considered strategically complementary to the Predecessor Operations. Amongst these assets, real properties with carrying value of RMB679,000, plant and machinery with carrying value of RMB2,657,000 and patent with carrying value of RMB3,320,000 used by our Group were also retained.

The real properties, legally owned by the Predecessor Entity, have not been transferred to our Group. Such properties are currently used by Boer Wuxi for production and storage purposes, and in the Directors' view, are crucial to the operation of our Group. As advised by our PRC legal advisers, Grandall Legal Group (Shenghen), according to the Property Right Law of the PRC and the Law of the PRC on Urban Real Estate Administration, when a real property is transferred, the ownership of the building and the right to use the land on which the building is constructed shall be transferred at the same time. Although the Predecessor Entity legally owns the land on which the properties of the Predecessor Entity are constructed they have not been transferred to our Group for the following reasons: (i) the obtaining of the certificate of land use right, taxes for the transfer of the land, including land contract tax, property tax and enterprises income tax would be very high; and (ii) the buildings constructed by the Predecessor Entity on the piece of land are already used by our Group under a long-term lease contract. For the reasons set out above, it is not economical and not necessary for the piece of land to be transferred to our Group. Instead, the real properties have been leased to Boer Wuxi and Boer Services Co by the Predecessor Entity for the period up to 31 December 2019. The Directors are of the view that the lease of such properties is considered a valid lease for the following reasons:

(a) the Predecessor Entity is the legal owner of such properties and has obtained valid long term land use right certificates for such properties;

(b) as advised by our Company's PRC legal advisers, Grandall Legal Group (Shenzhen), such lease is legal, valid and enforceable under PRC laws;

(c) such lease has been duly registered with the relevant PRC authorities; and

(d) the term of such lease, i.e. 10 years commencing from 1 January 2010 and expiring on 31 December 2019, is considered to be of a meaningful duration, in light of the nature and use of such properties.

The non-transferred plant and machinery were not strategically complementary to the Predecessor Operations and were retained by the Predecessor Entity.

The ownership of the patent among the Retained Assets belongs to SEARI. Pursuant to a supplemental agreement made between the Predecessor Entity and SEARI on 30 November 2008, the Predecessor Entity was authorised to use the patent and SEARI agreed that the Predecessor Entity had the right to authorise our Group to use the patent at no consideration. As our Group has been authorised by the Predecessor Entity and SEARI to use the patent until 30 November 2016, it is not necessary for the patent to be transferred to our Group. The Retained Assets have been reflected as a deemed distribution on 31 December 2009.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe the most significant factors affecting our results of operations and financial condition are as follows:

Energy demand and the electricity market in China

We derive substantially all of our revenue from the design, manufacture and sale of electrical distribution systems, intelligent electrical distribution systems and energy saving systems solutions in China. The demand for energy and electricity in China is subject to cyclical fluctuations and to a variety of factors, including macroeconomic trends, population, urbanisation, fixed assets investment in China and technology development. The demand for our electrical distribution equipment and systems solutions by our customers may be affected by factors such as their fixed assets investment plan, project budget, government policy and market trends. As a result, an economic slowdown in China may curtail demand for our equipment and solutions.

Pricing of our projects

A significant part of our revenue is generated from projects acquired through tendering and bidding. The contract price for our tendering and bidding of projects is based on various financial and commercial considerations, including for example production costs, fee estimates of other competitors, business relationship with the customers and the impact of the product on our business as a whole.

The pricing of our projects may fluctuate and are subject to our various considerations which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our operations and profitability.

Supply of electrical components for the manufacture of our products

Our results of operations are affected by the cost of electrical components required to manufacture our products and in providing solutions to our customers. A significant part of these electrical components are provided by third parties. For example, Schneider, from whom we have purchased RMB84.0 million, RMB87.0 million, RMB110.3 million and RMB60.2 million of components, being 30.2%, 30.8%, 33.0% and 21.6% of our cost of sales for the years ended 31 December 2007, 2008, and 2009 and the six months ended 30 June 2010, respectively, and ABB, from whom we have purchased RMB3.7 million, RMB4.3 million, RMB6.6 million and RMB2.4 million of components, being 1.4%, 1.5%, 2.0% and 0.8% of our cost of sales for the years ended 31 December 2007, 2008, and 2009 and the six months ended 30 June 2010, respectively, are our suppliers for the supply of components in producing some of our switchboards in our EDS Solutions and iEDS Solutions businesses. Our manufacture and project costs are affected by the supply of components and the price and terms of the purchases from our suppliers. The pricing of our projects may fluctuate and are subject to various considerations which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our overall operations and profitability.

Change in prices of metals

Raw materials of metals such as steel and copper-based products are required for the manufacture of our products in EDS Solutions and iEDS Solutions businesses. These metal-based raw materials are subject to pricing cyclicality and periodic shortages of supply in China. Our contract price is based on our estimated project costs plus a profit margin at the time when we submit our tender for projects but the actual costs of metal-based raw materials are determined when we make purchases from our suppliers, which are subject to the market fluctuation. Any fluctuations in the cost of metal-based raw materials will affect our profitability.

Product quality and required certification for our products

Most of the products applied by our EDS Solutions and iEDS Solutions including switchboards and circuit breaker are subject to Compulsory Product Certification in China. At present, we have obtained all the necessary certificates from the China Quality Certification Centre in respect of the products we manufacture. The requirements and standards in respect of our products may be subject to change in the future. The failure to obtain the necessary certificates for our products will have an impact on our business and financial performance.

Reliance on our major customer

We have maintained business relationship with Schneider and are one of its three principal partners in China. Schneider is also our largest customer, accounting for approximately 12.6%, 13.0%, 13.8% and 20.1% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. It is mutually beneficial for us to maintain close and strategic alliance with Schneider. However, any significant deterioration in our relationship with Schneider and reduction in business volume with or the loss of Schneider as our major customer will have an impact on our business and financial results.

Taxation

Our profitability and financial performance is affected by the level of taxation that we pay on our profit and the preferential tax treatments to which we are entitled. On 16 March 2007, the National People's Congress of the PRC promulgated The Enterprise Income Tax Law of the PRC, which took effect on 1 January 2008. The implementation of this tax law has an effect on the level of taxation that we pay on our profit and the preferential tax treatments to which we are entitled. In accordance with the aforementioned law and regulations, a unified enterprise income tax rate of 25% will be applied equally to both domestic enterprises and foreign-invested enterprises. Enterprises that are currently entitled to exemptions or reductions from the standard rate for a fixed term may continue to enjoy such treatment until the fixed term expires. Upon the expiry of the existing preferential tax treatments, our PRC subsidiaries will be subject to a higher enterprise income tax rate and our financial performance will be affected.

Recent global financial crisis and economic downturn

The recent global financial crisis and economic downturn adversely affected economies and businesses around the world. The high rate of economic growth that China has been experiencing in recent years is also being adversely affected by the global financial crisis. Although our business has not been materially affected by the global financial crisis, if the economic downturn and the weak economic sentiment continue, our business, financial condition and results of operations may be affected.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Turnover

Our turnover consists of sales derived from our four business segments, namely EDS Solutions, iEDS Solutions, EE Solutions and Components and Spare Parts Business. Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes.

The table below sets out the revenue by business segments as well as the revenue as a percentage of total revenue during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
EDS Solutions	254,691	71.3	277,809	68.5	258,936	52.8	116,003	54.2	185,671	42.9
iEDS Solutions	54,465	15.2	70,522	17.4	161,017	32.8	67,130	31.4	202,890	46.9
EE Solutions	–	–	–	–	915	0.2	288	0.1	1,249	0.3
Components and Spare Parts Business	48,118	13.5	57,183	14.1	69,848	14.2	30,497	14.3	42,706	9.9
Total	357,274	100.0	405,514	100.0	490,716	100.0	213,918	100.0	432,516	100.0

The table below sets out the number of units sold and the average selling prices of our products during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Units sold	Average selling price	Units sold	Average selling price	Units sold	Average selling price	Units sold	Average selling price	Units sold	Average selling price
		RMB		*RMB*		*RMB*		*RMB*		*RMB*
EDS Solutions	7,262	35,072	7,287	38,124	6,352	40,764	2,755	42,106	3,575	51,936
iEDS Solutions	1,660	32,810	1,688	41,778	2,731	58,959	1,311	51,205	2,754	73,671
EE Solutions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Components and Spare Parts Business	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Our total turnover increased by RMB133.4 million from RMB357.3 million for the year ended 31 December 2007 to RMB490.7 million for the year ended 31 December 2009.

Turnover derived from EDS Solutions represents the major source of our turnover during the three years ended 31 December 2009 and increased from RMB254.7 million for the year ended 31 December 2007 to RMB258.9 million for the year ended 31 December 2009. Such increase was mainly attributable to the increase in the average selling price of our EDS units from RMB35,072 for the year ended 31 December 2007 to RMB40,764 for the year ended 31 December 2009. Such increase in the average selling price of our EDS units has counteracted the effect of the decrease in the number of EDS units sold from 7,262 for the year ended 31 December 2007 to 6,352 for the year ended 31 December 2009 while contributing to the increase in our turnover from the EDS Solutions. Turnover derived from EDS Solutions increased from RMB116.0 million for the six months ended 30 June 2009 to RMB185.7 million for the six months ended 30 June 2010, primarily due to the increase in the number of units sold and the average selling price.

Turnover derived from iEDS Solutions recorded a significant growth during the three years ended 31 December 2009 and increased from RMB54.5 million for the year ended 31 December 2007 to RMB161.0 million for the year ended 31 December 2009, representing a CAGR of 71.9%. Turnover derived from iEDS Solutions increased from RMB67.1 million for the six months ended 30 June 2009 to RMB202.9 million for the six months ended 30 June 2010. The increase in turnover in iEDS Solutions is attributable to both the increase in sales volume and average selling price of our iEDS units. During the three years ended 31 December 2007, 2008 and 2009, the number of our iEDS units sold increased from 1,660 in 2007 to 2,731 in 2009 and the average selling price of our iEDS unit increased from RMB32,810 in 2007 to RMB58,959 in 2009. The number of iEDS units sold increased from 1,311 for the six months ended 30 June 2009 to 2,754 for the six months ended 30 June 2010, and the average selling price per unit increased from RMB51,205 to RMB73,671 for the same period.

Leveraging on our expertise and experience in our EDS Solutions and iEDS Solutions, we commenced our EE Solutions business in 2009 which contributed revenue of RMB0.9 million and RMB1.2 million for the year ended 31 December 2009 and the six months ended 30 June 2010, respectively. In addition to providing electrical distribution systems, we also manufacture certain components and spare parts used in electrical distribution systems and sell them separately to our customers. Turnover derived from our Components and Spare Parts Business increased from RMB48.1 million in 2007 to RMB69.8 million in 2009.

Cost of sales

Our cost of sales consists of raw materials costs, manufacturing costs and direct labour costs. Raw materials costs primarily include our cost for the purchase of steel and copper-based raw materials, outsourced parts and electrical components.

Manufacturing costs primarily include consumables, maintenance expenses and depreciation relating primarily to plant and equipment we own. Direct labour costs primarily include compensation and benefits we provide to manufacturing employees.

The table below sets out the cost of sales by business segments and the cost of sales as a percentage of total cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
EDS Solutions	204,500	73.6	200,611	71.1	178,416	53.3	83,901	56.8	120,398	43.3
iEDS Solutions	37,635	13.5	43,855	15.5	110,077	32.9	44,792	30.3	129,272	46.5
EE Solutions	–	–	–	–	295	0.1	119	0.1	448	0.2
Components and Spare Parts Business	35,799	12.9	37,935	13.4	45,799	13.7	18,992	12.8	27,881	10.0
Total	277,934	100.0	282,401	100.0	334,587	100.0	147,804	100.0	277,999	100.0

The following table sets out the components of our cost of sales and the components as a percentage of total cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	252,732	90.9	251,784	89.2	300,733	89.9	130,871	88.5	261,251	94.0
Direct labour	18,449	6.7	22,896	8.1	24,545	7.3	13,611	9.2	10,270	3.7
Overhead	6,753	2.4	7,721	2.7	9,309	2.8	3,322	2.3	6,478	2.3
Total	277,934	100.0	282,401	100.0	334,587	100.0	147,804	100.0	277,999	100.0

Steel and copper based raw materials in aggregate accounted for about 12.4%, 8.8%, 7.9%, 10.7% and 15.7% of our cost of sales for the years ended 31 December 2007, 2008 and 2009, and the six months ended 30 June 2009 and 2010 respectively. In so far as we are aware, the prices of steel based raw materials were relatively stable during the Track Record Period, while the prices of copper based raw materials decreased by about 12% and 15% for the years ended 31 December 2008 and 2009, respectively. At present, we do not have a plan to implement any hedging policy to manage the price volatility in steel and copper based raw materials.

Gross profit and gross profit margin

The table below sets out the gross profit and gross profit margin by business segments during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross profit					
EDS Solutions	50,191	77,198	80,520	32,102	65,273
iEDS Solutions	16,830	26,667	50,940	22,338	73,618
EE Solutions	–	–	620	169	801
Components and Spare Parts Business	12,319	19,248	24,049	11,505	14,825
Total gross profit	79,340	123,113	156,129	66,114	154,517
	%	%	%	%	%
Gross profit margin					
EDS Solutions	19.7	27.8	31.1	27.7	35.2
iEDS Solutions	30.9	37.8	31.6	33.3	36.3
EE Solutions	–	–	67.8	58.7	64.1
Components and Spare Parts Business	25.6	33.7	34.4	37.7	34.7
Overall gross profit margin	22.2	30.4	31.8	30.9	35.7

In view of the increasing demand from end users in various industries for higher standard of safety, stability and efficiency in electrical distribution equipment and systems, we developed and launched our iEDS Solutions in 2003 in order to meet our customers' need for a higher automation level of their existing electrical distribution equipment and an intelligent system that allows for effective collection of data and systematic analysis of electricity use and performance. During the Track Record Period, we generated a higher gross profit margin from our iEDS Solutions business than that from EDS Solutions business.

Leveraging on our expertise and experience in our EDS Solutions and iEDS Solutions we developed EE Solutions in 2009 and generated gross profit margin of 67.8% and 64.1% from our EE Solutions business during the year ended 31 December 2009 and the six months ended 30 June 2010, respectively.

As a result of the growing demand for our components and spare parts, we were able to benefit from improved economies of scale in our production and increased the gross profit margin of our Components and Spare Parts Business from 25.6% to 34.4% from 2007 to 2009. In addition, its gross profit margin also reached 34.7% for the six months ended 30 June 2010.

Other revenue

Other revenue mainly represents interest income and government grants.

Selling and distribution expenses

Selling and distribution expenses mainly represent salary and welfare expenses for employees involved in selling and distribution activities, commissions, transportation costs for delivery of our products to our customers, and other operating expenses, including travelling expenses, entertainment expenses, technical and tender services expenses, advertising and promotion expenses, and other miscellaneous expenses.

Administrative expenses

Administrative expenses mainly represent salary and welfare expenses for management and administrative personnel, office expenses, professional fees, other taxes and other administrative expenses.

Finance expenses

Finance expenses mainly represent interest on bank borrowings.

Income tax

Income tax expenses mainly represent the income tax charged on our Group's PRC subsidiaries and the related deferred tax expenses. We were not subject to Hong Kong profits tax or any income tax in the Cayman Islands and the BVI during the Track Record Period.

Prior to 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax. In addition, production-type foreign investment enterprises with an operating period of 10 years or more were 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 were each entitled to the 2+3 tax holidays and commenced their tax holidays in 2006, 2006 and 2008, respectively.

According to the PRC Corporate Income Tax ("**CIT**") Law that was passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007, the statutory income tax rate was revised to 25% with effect from 1 January 2008. 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 established before 16 March 2007 and were entitled to the 2+3 tax holidays under the then effective tax laws and regulations, such tax holidays were grandfathered.

Based on the above, Boer Yixing was exempt from income tax for 2007 and is subject to income tax at 12.5% and 25% from 2008 to 2010 and from 2011 onwards, respectively. Yixing Boai did not generate taxable profits in 2007 and was exempt from income tax for 2008 and 2009, and is subject to income tax at 12.5% and 25% from 2010 to 2012 and from 2013 onwards, respectively.

Boer Wuxi was exempt from income tax for 2007 and is subject to income tax of 12.5% from 2008 to 2010. Being a qualified High and New Technology Enterprise, Boer Wuxi is subject to a preferential tax rate of 15% from 2011 onwards.

The entities comprising our Group in China are subject to PRC enterprise income tax. The applicable tax rates during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Boer Wuxi	Nil	12.5%	12.5%	12.5%	12.5%
Boer Yixing	Nil	12.5%	12.5%	12.5%	12.5%
Yixing Boai	33%	Nil	Nil	Nil	12.5%
Boer Services Co *(Note)*	N/A	N/A	25%	25%	25%
Wuxi Boer	33%	25%	25%	25%	N/A

Note: Boer Services Co was established on 4 November 2008.

RESULTS OF OPERATIONS

The following table sets out our combined income statements for the three years ended 31 December 2007, 2008 and 2009, the six months ended 30 June 2009 and the six months ended 30 June 2010, which are derived from the Accountants' Report as set out in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	357,274	405,514	490,716	213,918	432,516
Cost of sales	(277,934)	(282,401)	(334,587)	(147,804)	(277,999)
Gross profit	79,340	123,113	156,129	66,114	154,517
Other revenue	3,605	3,172	10,994	5,370	1,693
Selling and distribution expenses	(9,336)	(17,633)	(23,719)	(8,493)	(16,349)
Administrative expenses	(13,672)	(29,181)	(31,028)	(13,166)	(34,556)
Profit from operations	59,937	79,471	112,376	49,825	105,305
Finance expenses	(17,815)	(13,401)	(12,225)	(6,453)	(1,030)
Share of (loss)/profit of associates	(528)	81	403	249	–
Profit before taxation	41,594	66,151	100,554	43,621	104,275
Income tax	(1,588)	(12,800)	(15,331)	(6,431)	(14,603)
Profit for the year/period	40,006	53,351	85,223	37,190	89,672
Attributable to:					
Equity Shareholders of the Company	39,343	51,557	76,403	36,294	87,508
Non-controlling interests	663	1,794	8,820	896	2,164
Profit for the year/period	40,006	53,351	85,223	37,190	89,672
Earnings per share – basic and diluted	RMB0.07	RMB0.09	RMB0.14	RMB0.06	RMB0.16

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2010 compared with six months ended 30 June 2009

Turnover

Our turnover increased by RMB218.6 million or 102.2%, from RMB213.9 million for the six months ended 30 June 2009 to RMB432.5 million for the six months ended 30 June 2010. The increase is mainly attributable to the increase in turnover derived from iEDS Solutions of RMB135.8 million and EDS Solutions of RMB69.7 million during the period.

Turnover derived from our EDS Solutions increased by RMB69.7 million or 60.1%, from RMB116.0 million for the six months ended 30 June 2009 to RMB185.7 million for the six months ended 30 June 2010. The increase in turnover was mainly attributable to the increase in the number of EDS units sold from 2,755 units to 3,575 units and the increase in average selling price during the period.

Turnover derived from iEDS Solutions increased by RMB135.8 million or 202.2%, from RMB67.1 million for the six months ended 30 June 2009 to RMB202.9 million for the six months ended 30 June 2010. The increase was mainly attributable to the increase in the number of iEDS units sold from 1,311 units to 2,754 units and the increase in the average selling price per unit from RMB51,205 to RMB73,671 during the period.

Turnover derived from EE Solutions increased from RMB0.3 million for the six months ended 30 June 2009 to RMB1.2 million for the six months ended 30 June 2010. During the period, turnover derived from our Components and Spare Parts Business increased by 40.0%, from RMB30.5 million to RMB42.7 million.

Cost of sales

Our total cost of sales increased by 88.1% from RMB147.8 million for the six months ended 30 June 2009 to RMB278.0 million for the six months ended 30 June 2010. The increase is mainly attributable to the increase in the total number of units sold during the period.

The cost of sales for our EDS Solutions increased by RMB36.5 million or 43.5%, from RMB83.9 million for the six months ended 30 June 2009 to RMB120.4 million for the six months ended 30 June 2010, which is mainly attributable to the increase in the total number of EDS units sold.

The cost of sales of our iEDS Solutions increased by RMB84.5 million or 188.6%, from RMB44.8 million for the six months ended 30 June 2009 to RMB129.3 million for the six months ended 30 June 2010, which is mainly attributable to the increase in the total number of iEDS units sold.

The cost of sales of our EE Solutions increased from RMB119,000 for the six months ended 30 June 2009 to RMB448,000 for the six months ended 30 June 2010. The cost of sales of our Components and Spare Parts Business increased from RMB19.0 million for the six months ended 30 June 2009 to RMB27.9 million for the six months ended 30 June 2010.

Gross profit and gross profit margin

Our gross profit increased by RMB88.4 million or 133.7%, from RMB66.1 million for the six months ended 30 June 2009 to RMB154.5 million for the six months ended 30 June 2010, which is mainly contributed by the increase in turnover from our iEDS Solutions and EDS Solutions, the improved gross profit margin of our EDS Solutions and the improved gross profit margin of our iEDS Solutions.

Our overall gross profit margin increased from 30.9% for the six months ended 30 June 2009 to 35.7% for the six months ended 30 June 2010, which is mainly resulted from the improved gross profit margin of our EDS Solutions and iEDS Solutions.

Gross profit from our EDS Solutions increased by 103.4% from RMB32.1 million for the six months ended 30 June 2009 to RMB65.3 million for the six months ended 30 June 2010. The gross profit margin of our EDS Solutions increased from 27.7% to 35.2% during the period, which is mainly attributable to the increase in average selling price.

Gross profit from our iEDS Solutions increased by 229.6% from RMB22.3 million for the six months ended 30 June 2009 to RMB73.6 million for the six months ended 30 June 2010. The gross profit margin of our iEDS Solutions increased from 33.3% to 36.3% during the same period, which is mainly resulted from the increase in average selling price.

Gross profit margin of our EE Solutions increased from 58.7% for the six months ended 30 June 2009 to 64.1% for the six months ended 30 June 2010 because we commenced our EE Solutions in 2009.

Gross profit margin of our Components and Spare Parts Business decreased from 37.7% for the six months ended 30 June 2009 to 34.7% for the six months ended 30 June 2010.

Other revenue

Other revenue decreased by RMB3.7 million, which is mainly attributable to the decrease in interest income from a related party and decrease in effective interest income on other financial assets. The interest income from a related party represents interest earned from Shanghai Shuanghuan based on an agreement between Shanghai Shuanghuan and the Predecessor Entity. As the business of the Predecessor Entity has been completely assumed by our Group on 31 December 2009, this amount was retained (or deemed to be distributed) by the Predecessor Entity.

Selling and distribution expenses

Selling and distribution expenses increased by RMB7.9 million or 92.5%, from RMB8.5 million for the six months ended 30 June 2009 to RMB16.3 million for the six months ended 30 June 2010. The increase was mainly attributable to the increase in salary and welfare expenses for employees involved in selling and distribution activities and transportation costs for delivery of our products.

Administrative expenses

Administrative expenses increased by RMB21.4 million or 162.5%, from RMB13.2 million for the six months ended 30 June 2009 to RMB34.6 million for the six months ended 30 June 2010. The increase in administrative expenses was mainly attributable to the increase in professional fees and increase in salary and welfare expenses for management and administrative personnel.

Finance expenses

Finance expenses decreased by RMB5.4 million from RMB6.5 million for the six months ended 30 June 2009 to RMB1.0 million for the six months ended 30 June 2010, which is mainly attributable to the decrease in interest expenses on bank borrowings.

Share of (loss)/profit of associates

There was no share of profit/(loss) of associates for the six months ended 30 June 2010 as the interests in the associates were retained by the Predecessor Entity and had been reflected as deemed distribution for the year ended 31 December 2009.

Profit before taxation

As a result of the above-mentioned factors, our profit before taxation increased by RMB60.7 million, or 139.0%, from RMB43.6 million for the six months ended 30 June 2009 to RMB104.3 million for the six months ended 30 June 2010.

Income tax

Income tax increased by RMB8.2 million or 127.1%, from RMB6.4 million for the six months ended 30 June 2009 to RMB14.6 million for the six months ended 30 June 2010. Our effective tax rate decreased from 14.7% to 14.0% during the period, which is mainly attributable to the decrease in non-deductible expenses.

Profit for the Period Attributable to Equity Shareholders of the Company

As a result of the aforesaid factors, profit for the period attributable to Equity shareholders of the Company increased by RMB51.2 million or 141.1%, from RMB36.3 million for the six months ended 30 June 2009 to RMB87.5 million for the six months ended 30 June 2010.

Year ended 31 December 2009 compared with year ended 31 December 2008

Turnover

Our total turnover increased by RMB85.2 million or 21.0%, from RMB405.5 million for the year ended 31 December 2008 to RMB490.7 million for year ended 31 December 2009. The increase is mainly attributable to the increase in turnover derived from our iEDS Solutions of RMB90.5 million, which is partially offset by the decrease in turnover derived from our EDS Solutions of RMB18.9 million during the year.

Turnover derived from our EDS Solutions decreased by RMB18.9 million or 6.8%, from RMB277.8 million for the year ended 31 December 2008 to RMB258.9 million for the year ended 31 December 2009. The decrease in turnover was mainly resulted from the decrease in the number of EDS units sold from 7,287 units to 6,352 units during the year.

Turnover derived from iEDS Solutions increased by RMB90.5 million, or 128.3%, from RMB70.5 million for the year ended 31 December 2008 to RMB161.0 million for the year ended 31 December 2009. The increase is mainly attributable to the increasing demand for our iEDS Solutions and the increase in the average selling price of our iEDS units. During the year, the number of iEDS units sold increased from 1,688 units to 2,731 units, and the average selling price increased from RMB41,778 to RMB58,959.

Turnover derived from our EE Solutions for the year ended 31 December 2009 was RMB0.9 million. There was no turnover derived from EE Solutions for the year ended 31 December 2008 because we commenced our EE Solutions business in 2009. During the year, turnover derived from our Components and Spare Parts Business also recorded a steady growth.

Cost of sales

Our total cost of sales increased by 18.5% from RMB282.4 million for the year ended 31 December 2008 to RMB334.6 million for the year ended 31 December 2009. The increase is mainly attributable to the increase in the total number of units sold during the period.

The cost of sales for our EDS Solutions decreased by RMB22.2 million, or 11.1% from RMB200.6 million for the year ended 31 December 2008 to RMB178.4 million for the year ended 31 December 2009, which is mainly due to the decrease in our total number of EDS units sold.

The cost of sales for our iEDS Solutions increased by RMB66.2 million, or 151.0% from RMB43.9 million for the year ended 31 December 2008 to RMB110.1 million for the year ended 31 December 2009, which is mainly due to the increase in our total number of iEDS units sold.

The cost of sales for our EE Solutions business for the year ended 31 December 2009 amounted to RMB0.3 million. There was no cost of sales incurred for EE Solutions in 2008 because we commenced our EE Solutions business in 2009.

The cost of sales for our Components and Spare Parts Business increased by RMB7.9 million, or 20.7% from RMB37.9 million to RMB45.8 million, which is in line with the increase in sales of our components and spare parts during the year.

Gross profit and gross profit margin

Our gross profit increased by RMB33.0 million, or 26.8% from RMB123.1 million for the year ended 31 December 2008 to RMB156.1 million for the year ended 31 December 2009, which is mainly contributed by the increase in turnover from our iEDS Solutions, the improved gross profit margin of our EDS Solutions business, and the improved gross profit margin of our Components and Spare Parts Business.

Our overall gross profit margin increased from 30.4% for the year ended 31 December 2008 to 31.8% for the year ended 31 December 2009, which is mainly attributable to the improved gross profit margin of our EDS Solutions and the increase in turnover from our iEDS Solutions which achieved a higher gross profit margin than that of EDS Solutions.

Gross profit from our EDS Solutions business increased by 4.3% from RMB77.2 million for the year ended 31 December 2008 to RMB80.5 million for the year ended 31 December 2009. The gross profit margin for our EDS Solutions increased from 27.8% for the year ended 31 December 2008 to 31.1% for the year ended 31 December 2009 as a result of the increase in average selling price during the year.

Gross profit from our iEDS Solutions business increased by 91.0% from RMB26.7 million for the year ended 31 December 2008 to RMB50.9 million for the year ended 31 December 2009. The gross profit margin for our iEDS Solutions decreased from 37.8% for the year ended 31 December 2008 to 31.6% for the year ended 31 December 2009. The main reason for such decrease is because of our effort to penetrate into certain industries and we entered into a number of contracts with a lower than average gross profit margin.

Gross profit margin for our EE Solutions business for the year ended 31 December 2009 was 67.8%.

Gross profit margin for our Components and Spare Parts Business improved slightly from 33.7% in 2008 to 34.4% in 2009. The gross profit margin was relatively stable during the year.

Other revenue

Other revenue increased by 246.6% from RMB3.2 million for the year ended 31 December 2008 to RMB11.0 million for the year ended 31 December 2009, which is mainly due to the increase in interest income from bank deposits, amounts due from related parties and other financial assets. Average bank balance increased as a result of increased sales collection and business expansion. Our Group also placed more money on short-term fixed deposits which had interest rates higher than that of the interest rate typically enjoyed under a current account. Accordingly, interest income from financial institutions increased.

Interest income from a related party recognised in 2009 that amounted to RMB4.1 million represented interest earned from Shanghai Shuanghuan based on an agreement between Shanghai Shuanghuan and the Predecessor Entity. As the business of the Predecessor Entity has been completely assumed by our Group on 31 December 2009, this amount was retained (or deemed to be distributed) by the Predecessor Entity.

Selling and distribution expenses

Selling and distribution expenses increased by RMB6.1 million or 34.5%, from RMB17.6 million for the year ended 31 December 2008 to RMB23.7 million for the year ended 31 December 2009. The increase was mainly due to the increase in salary and welfare expenses for employees involved in selling and distribution activities, commissions and transportation costs for delivery of our products to our customers.

Administrative expenses

Administrative expenses increased by RMB1.8 million or 6.3%, from RMB29.2 million for the year ended 31 December 2008 to RMB31.0 million for the year ended 31 December 2009. The increase in administrative expenses was mainly due to the increase in salary and welfare expenses for management and administrative personnel.

Finance expenses

Finance expenses decreased by RMB1.2 million or 8.8%, from RMB13.4 million for the year ended 31 December 2008 to RMB12.2 million for the year ended 31 December 2009, which mainly resulted from the decrease in finance costs on other financial assets.

Share of (loss)/profit of associates

Share of profit of associates increased by 397.5% from RMB0.1 million to RMB0.4 million, mainly reflecting our share of profit of Shanghai Boer.

Profit before taxation

As a result of the aforesaid factors, our profit before taxation increased by RMB34.4 million or 52.0%, from RMB66.2 million for the year ended 31 December 2008 to RMB100.6 million for the year ended 31 December 2009.

Income tax

Income tax increased by RMB2.5 million or 19.8%, from RMB12.8 million for the year ended 31 December 2008 to RMB15.3 million for the year ended 31 December 2009. Our effective tax rate decreased from 19.3% for the year ended 31 December 2008 to 15.2% for the year ended 31 December 2009. The decrease is mainly attributable to the decrease in non-deductible expenses during the year.

Profit For the Year Attributable to Equity Shareholders of the Company

As a result for the above factors, profit for the year attributable to equity Shareholders of our Company increased by RMB24.8 million or 48.2%, from RMB51.6 million for the year ended 31 December 2008 to RMB76.4 million for the year ended 31 December 2009.

Year ended 31 December 2008 compared with year ended 31 December 2007

Turnover

Our total turnover increased by RMB48.2 million or 13.5%, from RMB357.3 million for the year ended 31 December 2007 to RMB405.5 million for year ended 31 December 2008, which is mainly contributed by the increase in turnover derived from our EDS Solutions and iEDS Solutions of RMB23.1 million and RMB16.0 million, respectively.

Turnover derived from our EDS Solutions increased by RMB23.1 million or 9.1%, from RMB254.7 million for the year ended 31 December 2007 to RMB277.8 million for the year ended 31 December 2008. The increase in turnover is mainly attributable to the increase in our average selling price during the year.

Turnover derived from our iEDS Solutions increased by RMB16.0 million or 29.5%, from RMB54.5 million for the year ended 31 December 2007 to RMB70.5 million for the year ended 31 December 2008. The increase in turnover is mainly due to the increase in our average selling price during the year.

Cost of sales

Our total cost of sales increased marginally by 1.6% from RMB277.9 million for the year ended 31 December 2007 to RMB282.4 million for the year ended 31 December 2008, which is mainly due to the increase in the total number of EDS units and iEDS units sold during the year and the additional costs incurred in manufacturing each unit.

The cost of sales for our EDS Solutions decreased marginally by RMB3.9 million, or 1.9% from RMB204.5 million for the year ended 31 December 2007 to RMB200.6 million for the year ended 31 December 2008, which is generally attributable to an overall fall in raw material costs for the year.

The cost of sales for our iEDS Solutions increased by RMB6.3 million, or 16.5% from RMB37.6 million for the year ended 31 December 2007 to RMB43.9 million for the year ended 31 December 2008 which is attributable to the higher specification of the iEDS Solutions services provided which increase overall cost of sales of the iEDS Solutions.

The cost of sales for our Components and Spare Parts Business increased RMB2.1 million, or 6.0% from RMB35.8 million to RMB37.9 million, which is generally attributable to growth in sales of our Components and Spare Parts Business during the year.

Gross profit and gross profit margin

Our gross profit increased by RMB43.8 million or 55.2% from RMB79.3 million for the year ended 31 December 2007 to RMB123.1 million for the year ended 31 December 2008, which is mainly contributed by the increase in the average selling prices of our EDS Solutions and iEDS Solutions.

Overall gross profit margin increased from 22.2% for the year ended 31 December 2007 to 30.4% for the year ended 31 December 2008, which is mainly attributable to the improved gross profit margins of our EDS Solutions and iEDS Solutions and the increase in sales of our iEDS Solutions which had a higher gross profit margin than that of our EDS Solutions.

Gross profit from our EDS Solutions increased by 53.8% from RMB50.2 million for the year ended 31 December 2007 to RMB77.2 million for the year ended 31 December 2008. The gross profit margin for our EDS Solutions increased from 19.7% for the year ended 31 December 2007 to 27.8% for the year ended 31 December 2008 which mainly resulted from the increase in our average selling price during the year.

Gross profit from our iEDS Solutions increased by 58.4% from RMB16.8 million for the year ended 31 December 2007 to RMB26.7 million for the year ended 31 December 2008. The gross profit margin for our iEDS Solutions increased from 30.9% for the year ended 31 December 2007 to 37.8% for the year ended 31 December 2008. The increase is mainly attributable to the increase in our average selling price during the year.

Gross profit of our Components and Spare Parts Business also increased by RMB6.9 million and its gross profit margin improved from 25.6% in 2007 to 33.7% in 2008. The significant improvement in the gross profit margin is generally attributable to the general improvement in the gross profit margin of spare parts during the year.

Other revenue

Other revenue decreased by 12.0% from RMB3.6 million for the year ended 31 December 2007 to RMB3.2 million for the year ended 31 December 2008, which is mainly due to the decrease in interest income from bank deposits and related party.

Selling and distribution expenses

Selling and distribution expenses increased by RMB8.3 million or 88.9%, from RMB9.3 million for the year ended 31 December 2007 to RMB17.6 million for the year ended 31 December 2008. The increase was mainly due to the increase in salary and welfare expenses for employees involved in selling and distribution activities and transportation costs for delivery of our products to our customers.

Administrative expenses

Administrative expenses increased by RMB15.5 million or 113.4%, from RMB13.7 million for the year ended 31 December 2007 to RMB29.2 million for the year ended 31 December 2008. The increase in administrative expenses was mainly due to the increase in salary and welfare expenses for management and administrative personnel.

Finance expenses

Finance expenses decreased by RMB4.4 million or 24.8%, from RMB17.8 million for the year ended 31 December 2007 to RMB13.4 million for the year ended 31 December 2008. The decrease is mainly resulted from the fair value differences of RMB9.0 million on initial recognition of other financial assets for the year ended 31 December 2007, which is offset by the increase in interest on borrowings.

Share of (loss)/profit of associates

Share of loss of associates for the year ended 31 December 2007 amounted to RMB0.5 million whilst share of profit of associates for the year ended 31 December 2008 amounted to RMB0.1 million, reflecting our share of results of Shanghai Boer.

Profit before taxation

As a result of the aforesaid factors, our profit before taxation increased by RMB24.6 million or 59.0%, from RMB41.6 million for the year ended 31 December 2007 to RMB66.2 million for the year ended 31 December 2008.

Income tax

Income tax increased by RMB11.2 million or 706.0%, from RMB1.6 million for the year ended 31 December 2007 to RMB12.8 million for the year ended 31 December 2008. Our effective tax rate increased from 3.8% for the year ended 31 December 2007 to 19.3% for the year ended 31 December 2008. Effective tax rate increased because Boer Wuxi and Boer Yixing were exempt from income tax for the year ended 31 December 2007 and were subject to income tax at 12.5% for the year ended 31 December 2008.

Profit For the Year Attributable to Equity Shareholders of the Company

As a result for the above factors, profit for the year attributable to equity Shareholders of our Company increased by RMB12.3 million or 31.0%, from RMB39.3 million for the year ended 31 December 2007 to RMB51.6 million for the year ended 31 December 2008.

Backlog

Backlog is defined as the aggregate value of contracts signed with third-party customers and projects of which we have been issued with the letter of tender winning as of the indicated date, less revenues recognised in connection with such contracts up to and including the same date. It is our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog. Backlog may not be indicative of future operating results. Not all of our revenue is recorded in backlog for a variety of reasons, including the fact that some projects begin and end within a short-term period. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog.

The aggregate value of projects of our EDS Solutions and iEDS Solutions in our backlog as of 31 August 2010 amounted to RMB62.0 million and RMB168.8 million, respectively. We expect that the majority of the backlog projects will be completed by December 2010.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital needs primarily through cash flow from operating activities, bank loans and the use of bills payable. Our primary uses of cash are for our working capital needs and capital expenditures.

Upon the completion of the Global Offering, we expect to meet our working capital needs primarily through cash flows from operating activities, bank loans, the use of bills payable and the net proceeds of the Global Offering. We are satisfied after due and careful inquiry that we have available sufficient working capital for the present requirements, which is for at least the next 12 months from the date of this prospectus.

Cash flows

The following table presents the cash flows during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (outflow)/inflow from operating activities	(4,874)	69,072	262,238	183,281	(107,548)
Net cash (outflow)/inflow from investing activities	(64,669)	(49,743)	(164,511)	(262,170)	125,077
Net cash inflow/(outflow) from financing activities	73,286	(36,819)	(84,949)	113,547	9,347
Net increase/(decrease) in cash	3,743	(17,490)	12,778	34,658	26,876
Cash at beginning of year/period	27,845	32,260	14,979	14,979	27,762
Effect of foreign exchange rate changes	672	209	5	–	(122)
Cash at end of year/period	32,260	14,979	27,762	49,637	54,516

Cash flows from operating activities

Our cash inflows from operating activities during the Track Record Period are principally from the receipt of payments from our sales. Our cash outflows from operating activities during the Track Record Period are principally for the purchases of raw materials and production expenses of direct labour and overhead.

We had a net cash outflow from operating activities of RMB4.9 million for the year ended 31 December 2007, which primarily resulted from operating profit before changes in working capital of RMB60.1 million and increase in trade and other payables of RMB32.5 million, offset by increase in trade and other receivables and inventories of RMB93.3 million and RMB2.6 million, respectively. The increase in trade and other receivables, trade and other payables and inventories was primarily due to our sales growth, increase in sales volume and increase in purchases of raw materials.

We had a net cash inflow from operating activities of RMB69.1 million for the year ended 31 December 2008, which primarily resulted from operating profit before changes in working capital of RMB85.4 million, offset by increase in trade and other receivables of RMB10.3 million and payments of income tax of RMB9.7 million. The increase in trade and other receivables primarily reflected our increase in sales as a result of our expansion in business.

We had a net cash inflow from operating activities of RMB262.2 million for the year ended 31 December 2009, which primarily resulted from operating profit before changes in working capital of RMB109.4 million and increase in trade and other payables of RMB215.6 million, offset by increase in trade and other receivables and inventories of RMB17.1 million and RMB24.8 million, respectively. The increase in trade and other receivables primarily reflected our continuous increase in sales as a result of our expansion in business. The increase in trade and other payables was mainly due to the increase in the number of projects, and the increased use of bills payables (which have longer terms) to settle purchases from suppliers.

We had a net cash outflow from operating activities of RMB107.5 million for the six months ended 30 June 2010, which mainly resulted from operating profit before changes in working capital of RMB106.9 million, offset by the increase in trade and other receivables of RMB172.5 million. The increase in trade and other receivables was primarily due to our sales growth and increase in sales volume.

Cash flows from investing activities

Our cash outflows from investing activities during the Track Record Period mainly consisted of purchases of items of property, plant and equipment, net advances and loans to related and other parties and pledge of deposits to banks.

We had a net cash outflow from investing activities of RMB64.7 million for the year ended 31 December 2007, which primarily resulted from net advances and loans to related and other parties of RMB45.1 million, pledge of deposits to banks of RMB15.3 million and purchases of property, plant and equipment of RMB4.2 million.

We had a net cash outflow from investing activities of RMB49.7 million for the year ended 31 December 2008, which primarily resulted from net advances and loans to related and other parties of RMB14.6 million, pledge of deposits to banks of RMB10.9 million and purchases of property, plant and equipment of RMB23.9 million.

We had a net cash outflow from investing activities of RMB164.5 million for the year ended 31 December 2009, which primarily resulted from net advances and loans to related and other parties of RMB59.1 million, pledge of deposits to banks of RMB86.2 million, purchases of property, plant and equipment of RMB6.2 million and payment of lease prepayments of RMB13.8 million.

We had a net cash inflow from investing activities of RMB125.1 million for the six months ended 30 June 2010, which mainly resulted from the decrease in pledged time deposits of RMB52.7 million and repayments from related parties of RMB75.4 million, partly offset by the payment for purchases of property, plant and equipment of RMB4.6 million.

Cash flow from financing activities

Our cash flows from financing activities during the Track Record Period mainly consisted of proceeds from and repayment of bank loans and payments of interest expenses.

We had a net cash inflow from financing activities of RMB73.3 million for the year ended 31 December 2007, which primarily resulted from the net increase in bank loans of RMB82.5 million, offset by payments of interest expenses of RMB8.9 million.

We had a net cash outflow from financing activities of RMB36.8 million for the year ended 31 December 2008, which primarily resulted from the net decrease in bank loans of RMB24.5 million and the payments of interest expenses of RMB11.7 million.

We had a net cash outflow from financing activities of RMB84.9 million for the year ended 31 December 2009, which primarily resulted from the net decrease in bank loans of RMB37.5 million, the payments of interest expenses of RMB12.2 million and deemed distribution of cash at bank and in hand of Wuxi Boer of RMB30.2 million as disclosed in Section A of the Accountants' Report set out in Appendix I to this prospectus.

We had a net cash inflow from financing activities of RMB9.3 million for the six months ended 30 June 2010, which mainly resulted from the net proceeds from new bank loans during the period.

CAPITAL EXPENDITURES

During the Track Record Period we incurred capital expenditures for the purchase of buildings, plant and machinery, motor vehicles and furniture and fixtures. The following table sets out our historical expenditures during the Track Record Period:

	Year ended 31 December			**Six months ended 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	576	12,084	296	787
Plant and machinery	3,105	10,187	4,194	1,559
Motor vehicles	326	869	945	919
Furniture, fixtures and other equipment	150	715	727	578
Construction of building	–	–	–	772
	4,157	23,855	6,162	4,615

Our capital expenditures during the Track Record Period consisted of expenditures in building construction and plant and equipment for our new production facilities in Yixing, Jiangsu province.

We expect that capital expenditures for the construction and completion of our new plant situated in Wuxi, Jiangsu province and the purchases of equipment to be installed in the new plant for the purpose of expanding our production capacity will amount to RMB120 million and RMB55 million, respectively. We expect to fund our projected capital expenditures principally through a portion of net proceeds from the Global Offering, cash generated from operating activities and proceeds from bank loans.

Our current plan with respect to future capital expenditure is subject to change based on the implementation of our business strategy and market conditions. As we continue to grow our business, we may incur additional capital expenditures.

We are of the opinion that our cash generated from our operating activities and the net proceeds from the Global Offering will be sufficient to finance our capital expenditure needs for the next 12 months.

WORKING CAPITAL

Taking into account of the net proceeds available to us from the Global Offering, our cash at bank and in hand, our available banking facilities and our future operating cash flows, the Directors are of the opinion that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of this prospectus.

NET CURRENT ASSETS

The table below sets out our current assets, current liabilities and net current assets at the balance sheet dates indicated:

	As at 31 December			As at 30 June	As at 31 August
	2007	**2008**	**2009**	**2010**	**2010 (unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Inventories	13,127	9,589	34,379	36,057	38,929
Trade and other receivables	218,688	224,556	213,758	386,192	534,238
Amounts due from directors	305	1,303	631	78	–
Amounts due from related parties	161,112	174,107	177,628	3,702	–
Tax recoverable	–	443	–	–	–
Pledged deposits	28,602	39,488	94,057	41,392	39,646
Cash at bank and in hand	32,260	14,979	27,762	54,516	10,527
Total current assets	454,094	464,465	548,215	521,937	623,340
Current liabilities					
Bank loans	169,500	145,000	50,000	70,000	80,000
Trade and other payables	198,308	198,372	323,949	290,217	324,349
Amounts due to directors	127	138	138	–	–
Amounts due to related parties	6,569	9,128	25,424	221	777
Current taxation	2,047	4,462	6,766	16,666	12,826
Total current liabilities	376,551	357,100	406,277	377,104	417,952
Net current assets	77,543	107,365	141,938	144,833	205,388

All the non-traded related parties balances have been settled before the Listing.

As at 31 August 2010, we had unutilised bank facilities of approximately RMB90 million.

Trade and bills receivables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	128,340	137,001	151,121	347,952
Bills receivable	4,319	2,140	7,831	5,798
	132,659	139,141	158,952	353,750

Our trade and bills receivables primarily represented receivables for the goods sold and rendered to our customers. Our trade receivables and bills receivable increased from RMB132.7 million as at 31 December 2007 to RMB139.1 million as at 31 December 2008. Our trade receivables and bills receivable increased from RMB139.1 million as at 31 December 2008 to RMB159.0 million as at 31 December 2009 and further increased to RMB353.8 million as at 30 June 2010. The increase in our trade receivables was primarily due to the growth in our business and increased sales.

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. The average trade receivables and bills receivable turnover days as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 were 114, 122, 111 and 107, respectively.

The following table sets out an aging analysis of trade receivable and bills receivable (net of allowance for doubtful debts) as of the balance sheet date:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	78,971	79,329	127,677	327,791
Less than 3 months past due	19,534	16,349	8,394	9,204
More than 3 months but less than 6 months past due	9,722	5,298	8,200	6,673
More than 6 months but less than 1 year past due	11,473	21,181	8,722	4,659
More than 1 year past due	12,959	16,984	5,959	5,423
	53,688	59,812	31,275	25,959
	132,659	139,141	158,952	353,750

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 our Group. Based on past experience, our management believes 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 still considered fully recoverable.

Our warranty period is usually twelve months and is provided on a case-by-case basis. The overdue amounts of our receivables were mainly related to the last instalments from our customers for which we have granted warranty period. The total amount of our overdue receivables was RMB26.0 million as at 30 June 2010, RMB5.2 million of which has been subsequently collected as at the Latest Practicable Date.

Our management monitors the recoverability of overdue trade and bills receivables, and, when there is objective evidence that our Group may not be able to collect, provides for impairment of these trade receivables. The impairment provision for these accounts amounted to RMB1.2 million, RMB5.5 million, RMB4.5 million and RMB4.5 million as of 31 December 2007, 2008 and 2009 and as at 30 June 2010, respectively. The trade receivables that were past due but not impaired relate to a number of customers that have good track record with our Group and majority of them were either public institutions or state-owned enterprises. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality, the balances are still considered fully recoverable. Further details are set out in Note 17 of Section C of the Accountants' Report.

Deposits, prepayments and other receivables

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and prepayments	24,912	20,538	17,682	16,815
Other receivables	61,117	64,877	37,124	15,627
	86,029	85,415	54,806	32,442

Deposits and prepayments primarily consisted of advances and deposits paid to suppliers. Other receivables primarily consisted of deposits made for the acquisition of a piece of land used for our new production facilities, security deposits for tenders of projects.

Trade and bills payables

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	66,922	98,026	112,858	219,068
Bills payable	38,219	35,058	152,000	40,093
	105,141	133,084	264,858	259,161

Our trade payables and bills payable primarily related to the purchases of raw materials from our suppliers. The continual increase in the aggregate amount of trade payables and bills payable primarily reflected the expansion of our operations and resulted from the increased number of projects during the Track Record Period. The increase in bills payable as at 31 December 2009 was mainly as a result of the increased use of bills payable to settle purchases from suppliers, which had a payment term of six months and enabled us to enjoy a lower finance cost.

The average trade payables and bills payable turnover days as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 were 115, 154, 217 and 170, respectively. The increase in average trade payables and bills payable turnover days as at 31 December 2009 primarily resulted from the increased use of bills payable which have longer payment terms. The decrease in average trade and bills payable turnover days as at 30 June 2010 mainly resulted from the decreased use of bills payable.

The following table sets out an aging analysis of trade payables and bills payable as of the balance sheet dates:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	59,567	98,045	85,774	191,864
Due after 1 month but within 3 months	20,760	7,629	39,084	7,414
Due after 3 months but within 6 months	24,814	27,410	140,000	59,883
	105,141	133,084	264,858	259,161

The increase in trade payables and bills payable due after 3 months was mainly due to increase in bills payable. Our Group has intended to place more reliance on bills financing in consideration of their lower finance costs. The amount due to be payable within 3 to 6 months are all bills payables, the repayment terms of which have been established in the respective bills.

Receipts in advance, other payables and accruals

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance	78,106	47,759	39,938	3,310
Other payables and accruals	15,061	17,529	19,153	27,746
	93,167	65,288	59,091	31,056

Receipts in advance mainly represent the prepayments received from customers for purchase of our Group's products according to the sales contracts. In general, we usually receive from our customers a deposit of approximately 30% of the total contract value before commencement of production.

Other payables and accruals primarily consisted of value-added tax payables, salary and staff welfare expenses payables and payable for the additions of items of property, plant and equipment.

Inventory

The following table sets out a summary of our balance of inventory as of the balance sheet dates:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,969	3,256	15,986	24,257
Work in progress	4,984	4,358	15,664	6,159
Finished goods	2,174	1,975	2,729	5,641
	13,127	9,589	34,379	36,057

The increase in inventory as at 30 June 2010 primarily relate to our sales growth, increase in sales volume and increase in purchases of raw materials, which is subsequently utilised in full.

The average inventory turnover days as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 were 16, 15, 24 and 23, respectively. In general, we usually maintain minimum inventory level and our procurement plan is determined principally in accordance with customer orders and production requirements. We have entered into long-term supply contracts with some of our major suppliers so that we can ensure a stable purchase price of such raw materials and components.

LIQUIDITY RATIOS

Our current ratio, being current assets divided by current liabilities, as of 31 December 2007, 2008 and 2009 and as at 30 June 2010, was 1.2, 1.3, 1.3 and 1.4, respectively. Our quick ratio, being current assets less inventories and divided by current liabilities, as of 31 December 2007, 2008 and 2009 and as at 30 June 2010, was 1.2, 1.3, 1.3 and 1.3. The increase in our current ratio primarily resulted from the increase in the cash inflow generated from our operating activities.

INDEBTEDNESS

The table below sets out our borrowings as of the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured floating rate loans, within one year	169,500	145,000	50,000	70,000
Effective interest rates	5.58% to 7.47%	4.86% to 7.47%	4.86% to 5.31%	4.86% to 5.31%

As at 31 August 2010, the latest practicable date for the purpose of determining our indebtedness, our Group's total indebtedness amounted to RMB101.1 million which consisted of bank loans of RMB80.0 million and bills payable of RMB21.1 million. The bank loans outstanding as at 31 August 2010 bear fixed interest rates ranging from 4.86% to 5.31% per annum. Save as disclosed above, we confirm that there has not been any material change in our indebtedness since 31 August 2010.

Except for a charge created over the entire issued share capital in Boer Hong Kong in favour of Silver Crest that will be released before the Listing and as disclosed above, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities acceptance or acceptance credits or any guarantees outstanding as at 31 August 2010.

GEARING RATIO

Our gearing ratio, being bank loans divided by total assets, as of 31 December 2007, 2008 and 2009 and 30 June 2010 was 33.5%, 26.8%, 8.2% and 11.9%, respectively. The decrease in our gearing ratio from 31 December 2007 to 31 December 2009 is mainly a result of the deemed distribution of Wuxi Boer, increase in total assets, in particular lease prepayments and pledged deposits, and decrease in bank loans during the Track Record Period.

Save as disclosed under the section headed "Financial Information – Indebtedness", as at 31 August 2010, being the latest practicable date for the purpose of the indebtedness statement, we did not have any debt securities issued and outstanding and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase commitments, mortgages, charges, other material contingent liabilities or guarantees.

COMMITMENTS

Capital commitments

We had the following capital commitments which were not provided for in our combined financial statements:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	12,176	4,487	–	–
Authorised but not contracted for	8,140	5,458	50,000	171,217
	20,316	9,945	50,000	171,217

The capital commitments as of 30 June 2010 primarily relates to the construction of new production facilities in Wuxi, Jiangsu province.

Operating lease commitments

We had total future minimum lease payments under non-cancellable operating leases that are payable as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	125	450	302	1,655
After 1 year but within 5 years	135	335	845	4,132
After 5 years	–	–	240	3,356
	260	785	1,387	9,143

Our contractual commitments as of 30 June 2010 primarily relate to the lease agreement in respect of the leasing of production facilities. The increase in total future minimum lease payments under non-cancellable operating leases as at 30 June 2010 primarily resulted from the entering into of new lease agreements with higher rental payables.

CONTINGENT LIABILITIES

As at 31 December 2007, 2008 and 2009 and 30 June 2010, we did not have any significant contingent liabilities and we confirm as of the Latest Practicable Date that there have been no material changes to our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet transactions or arrangements.

RELATED PARTY BALANCES

During the Track Record Period, the Directors are of the view that the following are related parties of our Group:

Name of party	Relationship
Mr. Qian Yixiang	Controlling Shareholder
Ms. Jia Lingxia	Controlling Shareholder
Mr. Qian Zhongming	Father of Mr. Qian Yixiang
Mr. Tao Qi	Brother in law of Mr. Qian Yixiang
Mr. Jia Minghao	Relative of Ms. Jia Lingxia
Shanghai Boer	Associate company to our Group
Jiangsu Diadem Pawn Co., Ltd.* ("江蘇大唐典當有限公司")	Associate company to our Group
Wuxi Boer	Effectively 80% and 20% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively. Upon the assumption by Boer Wuxi and Boer Yixing of Wuxi Boer's business operations in the design, manufacture and sale of electrical distribution equipment on 31 December 2009, Wuxi Boer was considered a related party
Shanghai Shuanghuan	Effectively 33% and 67% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively
Shanghai Changcheng Construction Development Company Limited* ("上海長城建設開發有限公司" or "Shanghai Changcheng")	Effectively 16.5% and 33.5% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively
Shanghai High-Speed Rail Electrical Technology Company Limited*# ("上海高鐵電氣科技有限公司" or "Shanghai High-Speed Rail")	Effectively 51% owned by Mr. Qian Yixiang

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

\# As at the Latest Practicable Date, this company did not carry on any business.

Details of our balances with related parties during the Track Record Period are set out as follows.

(i) Amounts due from related parties

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related				
Shanghai Changcheng	–	–	10,146	–
Non-trade related				
Mr. Qian Yixiang	305	1,099	60	39
Ms. Jia Lingxia	–	204	571	39
Mr. Qian Zhongming	–	540	–	–
Mr. Tao Qi	38	213	40	–
Mr. Jia Minghao	4,520	7,915	9,181	–
Shanghai Shuanghuan	70,356	71,806	5,531	–
Shanghai Changcheng	83,198	92,428	–	–
Shanghai Boer	–	505	762	–
Shanghai High-Speed Rail	3,000	700	710	–
Wuxi Boer	–	–	151,258	3,702
	161,417	175,410	178,259	3,780

(ii) Amounts due to related parties

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related				
Shanghai Boer	–	33	498	221
Non-trade related				
Mr. Qian Yixiang	64	69	69	–
Ms. Jia Lingxia	63	69	69	–
Mr. Qian Zhongming	–	2,000	2,000	–
Shanghai Shuanghuan	6,569	7,090	1,107	–
Shanghai Boer	–	5	762	–
Wuxi Boer	–	–	21,057	–
	6,696	9,266	25,562	221

Except for amount due from Shanghai Shuanghuan, which charged interest of 2.22% and 5.55% per annum respectively for the year ended 31 December 2007 and 2009, the amounts due from/to related parties as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 are unsecured, interest free and have no fixed repayment terms. These amounts are expected to be recovered/ repaid within one year.

All the above non-trade related parties balances have been settled before the Listing.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Foreign Currency Exchange Rate Risk

We conducted our business primarily in China with most of the transactions denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. In July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. An appreciation of RMB may affect the value of the proceeds from the Global Offering, which will be denominated in HK dollars.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes in interest rates is mainly attributable to our bank loans, details of which have been disclosed in Note 20 of Section C of the Accountants' Report set out in Appendix I to this prospectus. As of 30 June 2010, we had total interest bearing bank loans of RMB70 million, as described above in "Indebtedness." Upward fluctuations in interest rates will increase the costs of both our exiting and new debt. We have not entered into any interest rate hedging contracts or any other derivative financial instruments.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to honour its contractual obligations, and arises principally from the Group's trade and other receivables and other financial assets. The carrying amount of pledged deposits, cash and at bank and in hand, trade receivables, bills receivable and other receivables included in our combined balance sheet represents our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that credit sales of products are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our historical experience in the collection of trade and other receivables falls within the recorded allowances and our Directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the financial statements.

CRITICAL ACCOUNTING POLICIES

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.

We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations.

We review our estimates and underlying assumptions 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.

Revenue recognition

We recognise revenue from the sale of goods when the customer has accepted the related risks and rewards of ownership, provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, which generally occurs when the product is sold and delivered to our customers. For goods that do not require acceptance testing, we recognise revenue when they are delivered to the customers' premises. For goods that require acceptance testing, we recognise revenue when customers confirmed acceptance of the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Deposits and installments received prior to the date of revenue recognition are included in the balance sheet under receipt in advance under trade and other payables.

Impairment of assets

We recognise an impairment loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Impairment of receivables

Trade and other receivables that are carried at cost or amortised costs are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— lease prepayments (land use rights);

— intangible assets; and

— investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

Estimates in determining impairment of receivables and other assets

Our management's judgment is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be collected or recoverable; (ii) whether the carrying value of an asset can be supported by the collectible or recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairments, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. If there is a significant adverse change in the projected performance and the resulting future cash flow projections and the discount rates, it will be necessary to take an impairment charge to the income statement, which will affect our financial condition and results of operations only when the resulting net present value used in the impairment test is lower than the book value of the assets.

Depreciation and amortisation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The useful lives are based on our experience with similar assets and taking into account anticipated technological changes. Both the useful life of an asset and its residual value, if any, are reviewed annually. Changes in circumstances, such as technological advances or changes to our business operations, can result in differences between the actual and estimated useful lives of an asset. In those cases where we determine that the useful life of a long-lived asset should be shortened, we increase the depreciation expense over the remaining useful life to depreciate the asset's net book value to its salvage value. We also amortise our lease prepayments (land use rights) using the straight-line method over the respective periods of the leases.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is computed using the weighted average cost method and includes expenditures incurred in acquiring the inventories to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct labor and an appropriate share of overhead based on normal operating capacity. Net realisable value is the estimated selling price in ordinary course of business less the estimated cost of completion and selling expenses.

We regularly review our inventories for slow moving inventory, obsolescence or declines in market value. These reviews are conducted with reference to projections of expected future saleability of goods and management experience and judgment. If our estimate of net realisable value is below the cost of inventory, we establish a provision against the inventories for the difference between cost and net realisable value, which will result in a corresponding increase in our cost of sales. If actual market conditions are less favorable than those projected by management and our inventories remain unsold longer than we anticipated, an additional inventory provision may be required. The Directors confirm that this policy has been applied consistently throughout the Track Record Period.

We did not make any provision for inventories during the Track Record Period.

Provision for warranty

We will make provisions for warranty based on our future sales amount and our past experience of the level of repair and maintenance services, discounted to their present values as appropriate. However, during the Track Record Period, we had not experienced any significant warranty claims. Accordingly, no provision for warranty was made during the Track Record Period.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since 30 June 2010 (being the date to which our latest combined financial results were prepared as set out in the "Accountants' Report" in Appendix I to this prospectus).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROFIT FORECAST

On the bases and assumption set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we forecast that our combined profit attributable to the equity Shareholders for the year ending 31 December 2010 is expected to be not less than RMB180 million.

The forecast of our combined profit attributable to the equity Shareholders for the year ending 31 December 2010 may not necessarily give any indication on, and should not be interpreted as a guidance of, our full year financial results for 2010, and will be different from the actual combined net profit attributable to the equity Shareholders if the factors affecting the results of our operation and financial condition vary materially between the conditions expected in the first half of 2010 and the second half of 2010. For further details of such factors, please refer to the sections headed "Risk Factors" and "Financial Information – Factors affecting our results of operations and financial condition" in this prospectus.

DIVIDEND POLICY

Dividends may be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, depend on a number of factors, including our results of operations, financial condition, the payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

Subject to the factors described above, we currently intend to recommend a distribution to all Shareholders in an amount representing not less than 25% of the distributable net profit attributable to the equity Shareholders of our Company in each of the financial years following the Global Offering. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Shareholders by any means which the Directors consider appropriate.

DISTRIBUTABLE RESERVES

As of 30 June 2010, the aggregate amount of distributable reserves of the companies now comprising our Group were RMB176.9 million.

PROPERTY INTERESTS

Particulars of our Company's property interests are set out in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited has valued the property interests of our Company as of 31 July 2010. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are included in Appendix IV to this prospectus.

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our properties, as at 31 July 2010 and is of the opinion that the value of our property interests as of such date was an aggregate amount of RMB57,508,000. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our Group's property interests from our combined financial information as at 30 June 2010 with the valuation of our property interests as of 31 July 2010 as set out in Appendix IV to this prospectus:

	RMB'000	*RMB'000*
Valuation of properties (including the lease prepayments (land use rights)) owned by our Group as of 31 July 2010 as set out in the property valuation report in Appendix IV to this prospectus *(note)*		57,508
Net book value of the following properties as of 30 June 2010 as set out in Appendix I to this prospectus		
– Buildings	17,810	
– Lease prepayments (land use rights)	20,017	
Net book value as of 30 June 2010	37,827	
Less: Depreciation/amortization during the period from 1 July to 31 July 2010	(118)	
Net book value as of 31 July 2010		37,709
Net valuation surplus		19,799

Note: As at the date of valuation, a property has not been assigned to the Group and thus the title of this property has not been vested in the Group. Therefore Jones Lang LaSalle Sallmanns Limited has attributed no commercial value to this property. However, Jones Lang LaSalle Sallmanns Limited is, of the opinion that the capital value of this property as at the date of valuation would be RMB44,339,000, on condition that the registered owner of this property is under the name of the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of this property. We have adopted this valuation of RMB44,339,000 for this reconciliation purpose.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the combined net assets derived from the financial information of the Group as at 30 June 2010, as set out in appendix I to this prospectus and adjusted as follows:

	Combined net tangible assets of the Group as at 30 June 2010	Estimated net proceeds from the initial public offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	RMB'000	*RMB'000* *(Note 1)*	*RMB'000*	*RMB* *(Note 2)*
Based on the Offer Price of HK$4.38 per Share	189,369	641,991	831,360	1.11
Based on the Offer Price of HK$6.38 per Share	189,369	955,263	1,144,632	1.53

Notes:

(1) The estimated net proceeds from the initial public offering are based on the Offer Price of HK$4.38 and HK$6.38 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted net tangible asset per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 750,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 June 2010, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(3) The Group's property interests as at 31 July 2010 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, the relevant property valuation report is set out in Appendix IV to this prospectus, "Property Valuation" (Note). The revaluation surplus of these properties was not incorporated in the Group's combined financial information for the six months ended 30 June 2010 and will not be included in the Group's financial information for the year ending 31 December 2010. The above adjustments do not take into account the revaluation surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to approximately RMB19.8 million. If the revaluation surplus was recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB0.9 million would be charged against profit for the year ending 31 December 2010.

Note: As at the date of valuation, a property has not been assigned to the Group and thus the title of this property has not been vested in the Group. Therefore Jones Lang LaSalle Sallmanns Limited has attributed no commercial value to this property. However, Jones Lang LaSalle Sallmanns Limited is, of the opinion that the capital value of this property as at the date of valuation would be RMB44,339,000, on condition that the registered owner of this property is under the name of the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of this property.