The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

7 October 2010

The Board of Directors
Boer Power Holdings Limited
CCB International Capital Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Boer Power Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Period"), and the combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 7 October 2010 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 12 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to and upon the completion of a group reorganisation on 30 September 2010 (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and the Predecessor Entity (as defined in Section A below), as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 31 of Section C. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant accounting rules and regulations applicable to entities in the People's Republic of China (the "PRC") in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 12 February 2010 and became the holding company of the companies now comprising the Group pursuant to the Reorganisation completed on 30 September 2010. The companies taking part in the Reorganisation were controlled by Mr. Qian Yixiang and Ms. Jia Lingxia (together referred to as the "Controlling Shareholders") who are husband and wife.

Wuxi Boer Power Instrumentation Company Ltd.* (無錫博耳電力儀錶有限公司) (the "Predecessor Entity"), incorporated in the PRC on 18 October 1988, was also controlled by the Controlling Shareholders. During the Relevant 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 assumed by the companies now comprising the Group. The assumption of the Predecessor Operations was completed on 31 December 2009.

As the Controlling Shareholders owned or controlled the Predecessor Entity and the companies now comprising the Group before the assumption of the Predecessor Operations and the Reorganisation and continue to control the companies now comprising the Group after the assumption of the Predecessor Operations and the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders and the Financial Information has been prepared as a combination of businesses under common control.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group as set out in Section B include the combined results of operations of the Predecessor Entity and that of the companies now comprising the Group as if the Group had been in existence throughout the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2007, for the period from the date of incorporation/establishment to 30 June 2010) and as if the assumption of the Predecessor Operations by the Group had been completed at the beginning of the Relevant Period.

The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 as set out in Section B include the combined assets and liabilities of the companies now comprising the 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 the 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 assumption as at 31 December 2009, as they were not considered strategically complementary to the Predecessor Operations. The Retained Assets have been reflected as a deemed distribution on 31 December 2009 in the combined statement of changes in equity and consist of the following assets and liabilities:

	Section C Note	RMB'000
Assets		
Property, plant and equipment	10	3,485
Intangible assets	12	3,320
Interest in a subsidiary		9
Equity interest in Boer (Wuxi) Power System Co., Ltd. *(Note i)*		15,133
Interest in associates	14	7,768
Other financial assets	15	15,372
Trading securities		1,012
Deferred tax assets	24(b)	1,710
Trade and other receivables	17	26,295
Amounts due from directors	22	3,216
Amounts due from related parties	22	213,334
Amounts due from the Group		21,057
Pledged deposits	18	31,589
Cash at bank and in hand	19	30,224
		373,524
Liabilities		
Bank loans	20	57,500
Trade and other payables	21	90,029
Amounts due to the Group		151,258
Current taxation	24(a)	1,406
		300,193
Net assets		73,331

All material intra-group transactions and balances have been eliminated on combination.

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

Note i) During the Relevant Period, the Predecessor Entity held a 15% equity interest in Boer (Wuxi) Power System Co., Ltd., one of the companies now comprising the Group. The investment was eliminated in the combined balance sheets as at 31 December 2007 and 2008. Upon the deemed distribution of the Retained Assets on 31 December 2009, the 15% equity interest held by the Predecessor Entity was presented in the combined balance sheet as at 31 December 2009 as a non-controlling interest. The non-controlling interest is equivalent to 15% net assets value of Boer (Wuxi) Power System Co., Ltd. attributable to the Predecessor Entity.

The particulars of the Company's subsidiaries, either through legal ownership or trust arrangement, as at the date of this report are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Cheer Success Holdings Limited	British Virgin Islands ("BVI") 18 January 2010	US$100/ US$100	100%	–	Investment holding
Power Investment (H.K.) Limited ("Boer Hong Kong")	Hong Kong Special Administrative Region of the PRC ("Hong Kong") 30 March 2005	HK$100,000/ HK$100,000	–	100%	Investment holding
Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi") *(Note ii)*	PRC 11 July 2005	US$13,000,000/ US$13,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Boer (Yixing) Power System Co., Ltd. ("Boer Yixing")	PRC 7 November 2005	US$1,250,000/ US$1,250,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Yixing Boai Automation Complete Sets of Equipment Co., Ltd. ("Yixing Boai") *(Note iii)*	PRC 15 January 2004	RMB10,000,000/ RMB10,000,000	–	75%	Design, manufacture and sale of electrical distribution equipment
Wuxi Boer Power Engineer Co., Ltd. (無錫博耳電氣工程服務有限公司) or "Boer Service") *(Note iv)*	PRC 4 November 2008	RMB5,000,000/ RMB5,000,000	–	100%	Provision of energy efficiency solutions

Note ii) During the Relevant Period, the Group and the Predecessor Entity held 85% and 15% equity interest in Boer Wuxi respectively. On 12 January 2010, the Group acquired the remaining 15% of the total paid-in capital of Boer Wuxi from the Predecessor Entity for a consideration of US$1,950,000. Upon completion of the transaction, Boer Wuxi became a wholly-owned subsidiary of the Group.

Note iii) Prior to 5 March 2007, the Controlling Shareholders had 55% ownership interest in Yixing Boai. On 5 March 2007, the Controlling Shareholders transferred their 55% ownership interest to a third party individual, who agreed to enter into a trust arrangement with the Group, the details of which are further described in the section headed "History and Reorganisation" in the Prospectus, providing Boer Hong Kong the ability to control the operating and financial policies of Yixing Boai. Pursuant to the trust arrangement Boer Hong Kong is entitled to 75% of the financial results and the economic benefits and residual risk of Yixing Boai.

Note iv) The English translation of the company name is for reference only. The official name of the company is in Chinese.

The particulars of the Predecessor Entity are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up registered capital	Principal activities
Wuxi Boer Power Instrumentation Company Ltd.* (無錫博耳電力儀錶有限公司)	PRC 18 October 1988	RMB50,000,000/ RMB50,000,000	Design, manufacture and sale of electrical distribution equipment

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

B COMBINED FINANCIAL INFORMATION

1 COMBINED INCOME STATEMENTS

	Section C Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Turnover	2	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	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	4(a)	(17,815)	(13,401)	(12,225)	(6,453)	(1,030)
Share of (loss)/profit of associates		(528)	81	403	249	–
Profit before taxation	4	41,594	66,151	100,554	43,621	104,275
Income tax	5	(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 (RMB)	9	0.07	0.09	0.14	0.06	0.16

The accompanying notes form part of the Financial Information.

2 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	40,006	53,351	85,223	37,190	89,672
Other comprehensive income for the year/period (after tax and reclassification adjustments)					
Exchange differences on translation of financial statements of a Hong Kong subsidiary	659	212	5	–	(122)
Total comprehensive income for the year/period	40,665	53,563	85,228	37,190	89,550
Attributable to:					
Equity shareholders of the Company	40,002	51,769	76,408	36,294	87,386
Non-controlling interests	663	1,794	8,820	896	2,164
Total comprehensive income for the year/period	40,665	53,563	85,228	37,190	89,550

The accompanying notes form part of the Financial Information.

3 COMBINED BALANCE SHEETS

	Section C Note	As at 31 December 2007	2008	2009	As at 30 June 2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	10	24,360	44,270	41,981	42,458
Construction in progress	11	–	–	–	772
Intangible assets	12	4,348	3,846	24	12
Lease prepayments	13	5,574	6,453	20,131	20,017
Interest in associates	14	2,034	2,115	–	–
Other financial assets	15	12,431	16,307	–	–
Deferred tax assets	24(b)	2,512	3,241	1,110	1,306
Total non-current assets		51,259	76,232	63,246	64,565
Current assets					
Inventories	16	13,127	9,589	34,379	36,057
Trade and other receivables	17	218,688	224,556	213,758	386,192
Amounts due from directors	22	305	1,303	631	78
Amounts due from related parties	22	161,112	174,107	177,628	3,702
Tax recoverable	24(a)	–	443	–	–
Pledged deposits	18	28,602	39,488	94,057	41,392
Cash at bank and in hand	19	32,260	14,979	27,762	54,516
Total current assets		454,094	464,465	548,215	521,937
Total assets		505,353	540,697	611,461	586,502

The accompanying notes form part of the Financial Information.

	Section C Note	As at 31 December 2007	2008	2009	As at 30 June 2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Bank loans	20	169,500	145,000	50,000	70,000
Trade and other payables	21	198,308	198,372	323,949	290,217
Amounts due to directors	22	127	138	138	–
Amounts due to related parties	22	6,569	9,128	25,424	221
Current taxation	24(a)	2,047	4,462	6,766	16,666
Total current liabilities		376,551	357,100	406,277	377,104
Net current assets		77,543	107,365	141,938	144,833
Total assets less current liabilities		128,802	183,597	205,184	209,398
Non-current liabilities					
Deferred tax liabilities	24(b)	–	1,882	1,439	–
Total non-current liabilities		–	1,882	1,439	–
Total liabilities		376,551	358,982	407,716	377,104
Equity					
Paid-in capital	25	57,511	57,511	7,511	7,590
Reserves	26	67,360	118,479	164,644	197,219
Total equity attributable to equity shareholders of the Company		124,871	175,990	172,155	204,809
Non-controlling interests		3,931	5,725	31,590	4,589
Total equity		128,802	181,715	203,745	209,398
Total liabilities and equity		505,353	540,697	611,461	586,502

The accompanying notes form part of the Financial Information.

4 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Section C Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Paid-in capital	Capital reserves	Exchange reserve	Statutory reserves	Retained profits	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At as 1 January 2007		55,511	–	15	4,246	22,705	82,477	6,010	88,487
Total comprehensive income for the year		–	–	659	–	39,343	40,002	663	40,665
Distributions to equity owners	8	–	–	–	–	(350)	(350)	–	(350)
Increase in shareholdings in subsidiaries		2,000	742	–	–	–	2,742	(2,742)	–
Appropriation to statutory reserves		–	–	–	6,264	(6,264)	–	–	–
At as 31 December 2007		57,511	742	674	10,510	55,434	124,871	3,931	128,802
Total comprehensive income for the year		–	–	212	–	51,557	51,769	1,794	53,563
Distributions to equity owners	8	–	–	–	–	(650)	(650)	–	(650)
Appropriation to statutory reserves		–	–	–	7,486	(7,486)	–	–	–
As at 31 December 2008		57,511	742	886	17,996	98,855	175,990	5,725	181,715
Total comprehensive income for the year		–	–	5	–	76,403	76,408	8,820	85,228
Distributions to equity owners	8	–	–	–	–	(5,000)	(5,000)	–	(5,000)
Appropriation to statutory reserves	26(b)	–	–	–	(3,389)	3,389	–	–	–
Deemed distribution		(50,000)	–	–	(1,912)	(23,331)	(75,243)	17,045	(58,198)
As at 31 December 2009		7,511	742	891	12,695	150,316	172,155	31,590	203,745
Total comprehensive income for the period		–	–	(122)	–	87,508	87,386	2,164	89,550
Distributions to equity shareholders	8	–	–	–	–	(60,962)	(60,962)	–	(60,962)
Distributions to a non-controlling shareholder	8	–	–	–	–	–	–	(9,702)	(9,702)
Acquisition of non-controlling interests	26(a)	–	6,151	–	–	–	6,151	(19,463)	(13,312)
Capital injection		79	–	–	–	–	79	–	79
As at 30 June 2010		7,590	6,893	769	12,695	176,862	204,809	4,589	209,398
As at 31 December 2008		57,511	742	886	17,996	98,855	175,990	5,725	181,715
Total comprehensive income for the period (Unaudited)		–	–	–	–	36,294	36,294	896	37,190
As at 30 June 2009 (Unaudited)		57,511	742	886	17,996	135,149	212,284	6,621	218,905

The accompanying notes form part of the Financial Information.

5 COMBINED CASH FLOW STATEMENTS

	Section C Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before taxation		41,594	66,151	100,554	43,621	104,275
Adjustments for:						
– Depreciation	4(c)	3,049	3,945	4,966	2,444	2,357
– Amortisation of lease prepayments	4(c)	119	137	137	69	161
– Finance expenses	4(a)	17,815	13,401	12,225	6,453	1,030
– Interest income	3	(3,509)	(3,078)	(9,162)	(4,838)	(924)
– Gain on early settlement of other loans	3	–	–	(1,011)	–	–
– Share of loss/(profit) of associates		528	(81)	(403)	(249)	–
– Amortisation of intangible assets	4(c)	502	502	502	252	12
– Impairment losses for trade receivables	4(c)	–	4,295	1,641	1,379	37
– Impairment losses for other receivables	4(c)	–	129	–	–	–
– Foreign exchange (gain)/loss		(13)	3	–	–	–
Changes in working capital						
(Increase)/decrease in inventories		(2,594)	3,538	(24,790)	(21,143)	(1,678)
Increase in trade and other receivables		(93,306)	(10,292)	(17,138)	(16,251)	(172,471)
Net increase in amounts due (from)/to related parties		–	33	(9,681)	–	(277)
Increase/(decrease) in trade and other payables		32,513	64	215,598	175,597	(33,732)
Cash (used in)/generated from operations		(3,302)	78,747	273,438	187,334	(101,210)
Income tax paid		(1,572)	(9,675)	(11,200)	(4,053)	(6,338)
Net cash (used in)/generated from operating activities		(4,874)	69,072	262,238	183,281	(107,548)

The accompanying notes form part of the Financial Information.

	Section C Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Investing activities						
Payment for purchase of property, plant and equipment		(4,157)	(23,855)	(6,162)	(1,199)	(4,615)
Proceeds from sale of property, plant and equipment		–	–	–	–	1,009
Payment for lease prepayments		–	(1,016)	(13,815)	–	(47)
Payment for intangible assets		(11)	–	–	–	–
Payment for investments in associates		(2,562)	–	(5,250)	(5,250)	–
Net advances (to)/ repayments from related parties		(25,218)	(10,469)	(56,559)	(96,949)	75,357
Net advances from/(to) directors		164	(987)	(2,544)	(2,438)	(216)
New loans to other parties		(20,000)	(3,100)	–	–	–
Loans repaid by other parties		–	–	4,600	–	–
Payment for purchases of unlisted securities		–	–	(9)	–	–
Payment for purchases of trading securities		–	–	(1,012)	–	–
Interest received		2,436	570	2,398	397	924
(Increase)/decrease in pledged deposits		(15,321)	(10,886)	(86,158)	(156,731)	52,665
Net cash (used in)/ generated from investing activities		(64,669)	(49,743)	(164,511)	(262,170)	125,077
Financing activities						
Proceeds from bank loans		312,500	298,700	489,500	254,500	150,000
Repayment of bank loans		(230,000)	(323,200)	(527,000)	(134,500)	(130,000)
Proceeds from capital injection		–	–	–	–	79
Distribution to equity owners		(350)	(650)	(5,000)	–	–
Distribution to non-controlling shareholder		–	–	–	–	(9,702)
Deemed distribution (Section A)		–	–	(30,224)	–	–
Interest paid		(8,864)	(11,669)	(12,225)	(6,453)	(1,030)
Net cash generated from/ (used in) financing activities		73,286	(36,819)	(84,949)	113,547	9,347

The accompanying notes form part of the Financial Information.

	Section C Note	Year ended 31 December 2007	2008	2009	Six months ended 30 June 2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net increase/(decrease) in cash		3,743	(17,490)	12,778	34,658	26,876
Cash at 1 January		27,845	32,260	14,979	14,979	27,762
Effect of foreign exchange rate changes		672	209	5	–	(122)
Cash at 31 December/ 30 June		32,260	14,979	27,762	49,637	54,516

Non-cash transactions

(a) As described in Section A, upon the completion of the assumption of the Predecessor Operations to the Group, net assets of the Predecessor Entity of RMB73,331,000 (including cash of RMB30,224,000) were retained by the Predecessor Entity and were reflected as deemed distribution to the Controlling Shareholders of the Company.

(b) On 12 January 2010, Boer Hong Kong acquired 15% equity interest in Boer Wuxi from the Predecessor Entity at a consideration of US$1,950,000, which was settled by way of offsetting the amount due from the Predecessor Entity.

The accompanying notes form part of the Financial Information.

C NOTES TO COMBINED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes HKASs and related Interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs applicable to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting year ending 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ending 31 December 2010 are set out in note 35.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of combination

The Financial Information comprises the Company and its subsidiaries and has been prepared as if the Group had always been in existence, as further explained in Section A.

(c) Basis of measurement

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except per share data. RMB is the functional currency and the reporting currency for the Predecessor Entity and the Company's subsidiaries established in the PRC. The functional currency of the Company is Hong Kong dollar.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 33.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the combined financial information 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. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Business combinations arising from transfer of interests in entities that are under the common control of the equity holders that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented.

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, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the combined balance sheet within equity, separately from equity attributable to the equity shareholders of the

Company. Non-controlling interests in the results of the Group are presented on the face of the combined income statement and the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in an interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interests is adjusted to reflect the changes in their relative interests in the subsidiary, and any difference between the fair value of consideration paid or received and the amount by which the non-controlling interests is adjusted is recognised directly in equity and attributed to the equity holders of the Company.

(f) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the combined financial information under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(m)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year is recognised in the combined income statements, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(g) Other financial assets

Other financial assets include loans to other parties and are recognised initially at fair value. Subsequent to initial recognition, other financial assets are carried at amortised cost using the effective interest method.

(h) Property, plant and equipment

Items of property, plant and equipment are stated in the combined balance sheet at cost less accumulated depreciation and impairment losses (see note 1(m)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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 as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Plant and machinery 5 – 10 years
- Motor vehicles 5 years
- Furniture, fixtures and other equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(m)). Cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 1(m)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(k) Intangible assets

Intangible assets represent patent and software and are stated in the combined balance sheets at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Patents — amortised over shorter of the licensed period and the estimated useful lives
- Software — 5 years

Both the period and method of amortisation are reviewed annually.

(l) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(m) Impairment of assets

(i) Impairment of trade and other receivables and other financial assets

Trade and other receivables and other financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade debtors are included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) 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;
- intangible assets; and
- investments in subsidiaries and associates.

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or 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.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of impairment loss 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.

(n) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash

Cash comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(t) Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in the combined income statements except to the extent that it relates to items recognised directly in the combined statements of comprehensive income, in which case they are recognised in the combined statements of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary difference arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. For goods that do not require acceptance testing, revenue is recognised when they are delivered to the customers' premises. For goods that require acceptance testing, revenue is recognised 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 instalments received prior to the date of revenue recognition are included in the balance sheet under receipt in advance under trade and other payables.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Service income

Service income is recognised when the services are rendered and the amount receivable can be measured reliably.

(iv) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as revenue in profit or loss over the useful life of the asset.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(y) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making finance and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

2 TURNOVER AND SEGMENT REPORTING

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

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

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

The Group has four separate segments:

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

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

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

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

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

	EDS Solutions	iEDS Solutions	EE Solutions	CSP Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007					
Turnover	254,691	54,465	–	48,118	357,274
Cost of sales	(204,500)	(37,635)	–	(35,799)	(277,934)
Gross profit	50,191	16,830	–	12,319	79,340
Depreciation and amortisation included in cost of sales	1,857	255	–	150	2,262
Year ended 31 December 2008					
Turnover	277,809	70,522	–	57,183	405,514
Cost of sales	(200,611)	(43,855)	–	(37,935)	(282,401)
Gross profit	77,198	26,667	–	19,248	123,113
Depreciation and amortisation included in cost of sales	2,075	341	–	716	3,132
Year ended 31 December 2009					
Turnover	258,936	161,017	915	69,848	490,716
Cost of sales	(178,416)	(110,077)	(295)	(45,799)	(334,587)
Gross profit	80,520	50,940	620	24,049	156,129
Depreciation and amortisation included in cost of sales	1,542	713	–	1,769	4,024
Six months ended 30 June 2010					
Turnover	185,671	202,890	1,249	42,706	432,516
Cost of sales	(120,398)	(129,272)	(448)	(27,881)	(277,999)
Gross profit	65,273	73,618	801	14,825	154,517
Depreciation and amortisation included in cost of sales	325	333	–	1,178	1,836

	EDS Solutions	iEDS Solutions	EE Solutions	CSP Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009 (Unaudited)					
Turnover	116,003	67,130	288	30,497	213,918
Cost of sales	(83,901)	(44,792)	(119)	(18,992)	(147,804)
Gross profit	32,102	22,338	169	11,505	66,114
Depreciation and amortisation included in cost of sales	697	278	–	982	1,957

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

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of sales	2,262	3,132	4,024	1,957	1,836
Administrative expenses	1,408	1,452	1,581	808	694
	3,670	4,584	5,605	2,765	2,530

The Group has only one customer with whom transactions have exceeded 10% of the Group's aggregate revenues in each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010. The amount of sales to these customers amounted to approximately RMB45,176,000, RMB52,622,000, RMB67,605,000, RMB23,906,000 and RMB87,102,000 for each of the year ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively. Details of concentrations of credit risk arising from these customers are set out in note 27(a).

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as Chief Operating Decision Maker does not use the information to measure the performance of the reportable segments.

No geographical segment analysis is presented as substantially all assets, liabilities, turnover and gross profit of the Group are attributable to the PRC.

3 OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other revenue					
Interest income – financial institutions	686	570	2,398	397	924
Interest income – related parties	1,750	–	4,110	2,497	–
Effective interest income on other financial assets *(note 15)*	1,073	2,508	2,654	1,944	–
Gain on early settlement of other loans	–	–	1,011	–	–
Government grants	96	94	722	532	684
Others	–	–	99	–	85
	3,605	3,172	10,994	5,370	1,693

The government grants of the Group were not conditional and were therefore recognised as income when received.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a)	Finance expenses:					
	Interest on bank borrowings	8,864	11,669	12,225	6,453	1,030
	Difference between fair value and loan amount on initial recognition of other financial assets	8,951	1,732	–	–	–
		17,815	13,401	12,225	6,453	1,030
(b)	Staff costs:					
	Contributions to defined contribution retirement plans *(note 23)*	2,124	3,211	3,445	1,935	1,646
	Salaries, wages and other benefits	19,720	30,953	37,853	20,029	21,070
		21,844	34,164	41,298	21,964	22,716

Staff costs included directors' remuneration *(Note 6)*.

		Year ended 31 December			Six months ended 30 June	
(c)	Other items:					
	Amortisation of lease prepayments *(note 13)*	119	137	137	69	161
	Amortisation of intangible assets *(note 12)*	502	502	502	252	12
	Auditors' remuneration	42	50	60	23	69
	Depreciation *(note 10)*	3,049	3,945	4,966	2,444	2,357
	Impairment losses for trade receivables	–	4,295	1,641	1,379	37
	Impairment losses for other receivables	–	129	–	–	–
	Operating lease charges in respect of properties	135	450	450	224	672
	Research and development (other than staff costs)	–	–	–	–	11,853
	Cost of inventories#	277,934	282,401	334,587	147,804	277,999

Cost of inventories includes RMB20,711,000, RMB26,027,000, RMB28,357,000, RMB16,933,000 and RMB16,748,000 in the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 4(b) and (c) for each of these types of expenses.

5 INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) **Taxation in the combined income statements represents:**

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax-PRC income tax					
Provision for the year/period	3,457	11,647	15,353	4,794	16,238
Deferred tax					
Origination and reversal of temporary differences	(2,024)	1,153	(22)	1,637	(1,635)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	155	–	–	–	–
	(1,869)	1,153	(22)	1,637	(1,635)
	1,588	12,800	15,331	6,431	14,603

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	41,594	66,151	100,554	43,621	104,275
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	13,818	16,514	27,157	10,891	26,717
Tax effect of PRC preferential tax treatments *(ii)*	(15,895)	(8,084)	(17,235)	(6,539)	(13,922)
Tax effect of non-deductible expenses	2,690	2,508	1,665	614	1,831
Tax effect of non-taxable income	(9)	(20)	(111)	(70)	(23)
Effect of change in tax rate	155	–	–	–	–
Tax rate differential	829	–	–	–	–
Withholding tax on profits of PRC subsidiaries *((iii) and note 24(b))*	–	1,882	3,855	1,535	–
Actual tax expense	1,588	12,800	15,331	6,431	14,603

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

No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Relevant Period.

(ii) 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 Wuxi and Boer Yixing were exempted from income tax for 2007 and are 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 exempted 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.

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

As all of the Group's PRC subsidiaries are directly or indirectly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. The Predecessor Entity is owned and controlled by the Controlling Shareholders who are PRC residents and therefore its earnings are not subject to the withholding tax.

6 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

Year ended 31 December 2007

	Fee	**Basic salaries, allowances and other benefits**	**Contributions to retirement benefit scheme**	**Bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Qian Yixiang	–	57	5	–	62
Ms. Jia Lingxia	–	45	5	–	50
Mr. Qian Zhongming	–	–	–	–	–
Mr. Zha Saibin	–	38	5	–	43
Total	–	140	15	–	155

Year ended 31 December 2008

	Fee	**Basic salaries, allowances and other benefits**	**Contributions to retirement benefit scheme**	**Bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Qian Yixiang	–	151	6	–	157
Ms. Jia Lingxia	–	123	6	–	129
Mr. Qian Zhongming	–	–	–	–	–
Mr. Zha Saibin	–	59	6	–	65
Total	–	333	18	–	351

Year ended 31 December 2009

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Qian Yixiang	–	204	7	–	211
Ms. Jia Lingxia	–	196	7	–	203
Mr. Qian Zhongming	–	–	–	–	–
Mr. Zha Saibin	–	144	7	–	151
Total	–	544	21	–	565

Six months ended 30 June 2010

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Qian Yixiang	–	321	4	–	325
Ms. Jia Lingxia	–	290	4	–	294
Mr. Qian Zhongming	–	–	–	–	–
Mr. Zha Saibin	–	249	3	–	252
Total	–	860	11	–	871

Six months ended 30 June 2009 (Unaudited)

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Qian Yixiang	–	109	3	–	112
Ms. Jia Lingxia	–	107	4	–	111
Mr. Qian Zhongming	–	–	–	–	–
Mr. Zha Saibin	–	82	4	–	86
Total	–	298	11	–	309

7 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, two, three, three and three of them in 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively are directors whose remuneration is disclosed in note 6 above. The aggregate of the emoluments in respect of the other four, three, two, two and two individuals for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	248	294	322	155	624
Contributions to retirement benefit scheme	6	18	13	5	39
	254	312	335	160	663

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
HK$1 to HK$1,000,000	4	3	2	2	2

8 DIVIDENDS

Dividends of RMB350,000, RMB650,000 and RMB5,000,000 for the years ended 31 December 2007, 2008 and 2009 respectively represent dividends declared by the Predecessor Entity to its shareholders. There was no dividend declared for the six months ended 30 June 2009. During the six months ended 30 June 2010, Boer Hong Kong declared a dividend of HK$69,689,000 (equivalent to RMB60,962,000) to its Controlling Shareholders. In addition, Yixing Boai, a subsidiary of the Group declared and paid a dividend of RMB9,702,000 to its non-controlling shareholder.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company during the Relevant Period and the 562,500,000 shares in issue upon capitalisation issue of shares prior to the Listing as if the share were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2007	12,750	18,876	4,062	806	36,494
Additions	576	3,105	326	150	4,157
At 31 December 2007	13,326	21,981	4,388	956	40,651
Additions	12,084	10,187	869	715	23,855
At 31 December 2008	25,410	32,168	5,257	1,671	64,506
Additions	296	4,194	945	727	6,162
Deemed distribution	(6,432)	(8,274)	(1,985)	(472)	(17,163)
At 31 December 2009	19,274	28,088	4,217	1,926	53,505
Additions	787	1,559	919	578	3,843
Disposals	–	(1,871)	(1,319)	(248)	(3,438)
At 30 June 2010	20,061	27,776	3,817	2,256	53,910
Accumulated depreciation:					
At 1 January 2007	5,779	5,194	1,850	419	13,242
Charge for the year	343	1,867	745	94	3,049
At 31 December 2007	6,122	7,061	2,595	513	16,291
Charge for the year	374	2,730	706	135	3,945
At 31 December 2008	6,496	9,791	3,301	648	20,236
Charge for the year	1,026	3,054	657	229	4,966
Deemed distribution	(5,753)	(5,617)	(1,854)	(454)	(13,678)
At 31 December 2009	1,769	7,228	2,104	423	11,524
Charge for the period	482	1,385	311	179	2,357
Written back on disposals	–	(1,147)	(1,136)	(146)	(2,429)
At 30 June 2010	2,251	7,466	1,279	456	11,452
Net book value:					
At 31 December 2007	7,204	14,920	1,793	443	24,360
At 31 December 2008	18,914	22,377	1,956	1,023	44,270
At 31 December 2009	17,505	20,860	2,113	1,503	41,981
At 30 June 2010	17,810	20,310	2,538	1,800	42,458

All property, plant and equipment owned by the Group are located in the PRC.

There was no property, plant and equipment pledged as securities for bank loans as at 31 December 2007, 2008 and 2009 and 30 June 2010.

As at 31 December 2009, buildings, plant and machinery, motor vehicles and furniture, fixtures and other equipment with aggregate net book value of approximately RMB679,000, RMB2,657,000, RMB131,000 and RMB18,000 respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

11 CONSTRUCTION IN PROGRESS

	RMB'000
At 1 January 2010	–
Additions	772
At 30 June 2010	772

12 INTANGIBLE ASSETS

	Patent	**Software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2007	4,800	100	4,900
Additions	–	11	11
At 31 December 2007	4,800	111	4,911
Additions	–	–	–
At 31 December 2008	4,800	111	4,911
Additions	–	–	–
Deemed distribution	(4,800)	–	(4,800)
At 31 December 2009 and 30 June 2010	–	111	111
Accumulated amortisation:			
At 1 January 2007	40	21	61
Amortisation for the year	480	22	502
At 31 December 2007	520	43	563
Amortisation for the year	480	22	502
At 31 December 2008	1,000	65	1,065
Amortisation for the year	480	22	502
Deemed distribution	(1,480)	–	(1,480)
At 31 December 2009	–	87	87
Amortisation for the period	–	12	12
At 30 June 2010	–	99	99
Net book value:			
At 31 December 2007	4,280	68	4,348
At 31 December 2008	3,800	46	3,846
At 31 December 2009	–	24	24
At 30 June 2010	–	12	12

At 31 December 2009, patent with net book value of approximately RMB3,320,000 was retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009. The Group has agreed with the Predecessor Entity that they will continue to use this patent with no consideration.

13 LEASE PREPAYMENTS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	5,848	5,848	6,864	20,679
Additions	–	1,016	13,815	47
At 31 December/30 June	5,848	6,864	20,679	20,726
Accumulated amortisation:				
At 1 January	155	274	411	548
Charge for the year/period	119	137	137	161
At 31 December/30 June	274	411	548	709
Net book value:				
At 31 December/30 June	5,574	6,453	20,131	20,017

Lease prepayments represent prepayments of land use rights premiums to the PRC authorities. The Group's land is located in the PRC. The Group is granted with land use rights for a period of 50 years.

14 INTEREST IN ASSOCIATES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	2,034	2,115	–	–

The following contains the particulars of associates during the Relevant Period, all of which are unlisted corporate entities:

Name of associate	Form of business structure	Place of establishment and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd.* (上海電科博耳電器開關有限公司 or "Shanghai Boer")	Incorporated	PRC	RMB3,400,000	49%	Manufacturing and trading of power switches
Jiangsu Diadem Pawn Co., Ltd.* (江蘇大唐典當有限公司 or "Diadem")	Incorporated	PRC	RMB15,000,000	35%	Pledging and impawning business

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

The Group's 49% and 35% interest in Shanghai Boer and Diadem were acquired by Predecessor Entity in July 2007 and February 2009 for a consideration of RMB2,562,000 and RMB5,250,000 respectively. As at 31 December 2009, interest in Shanghai Boer and Diadem with aggregate net book value of approximately RMB2,496,000 and RMB5,272,000 respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

Summary financial information on associates:

Shanghai Boer

	Assets	Liabilities	Equity	Revenue	(Loss)/ profit
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007					
100 per cent	21,812	(17,661)	4,151	24,775	(207)
Group's effective interest	10,688	(8,654)	2,034	6,352	(528)
2008					
100 per cent	25,144	(20,827)	4,317	30,616	166
Group's effective interest	12,320	(10,205)	2,115	15,002	81
2009					
100 per cent	–	–	–	35,416	777
Group's effective interest	–	–	–	17,354	381

Diadem

	Assets	Liabilities	Equity	Revenue	Profit
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009					
100 per cent	–	–	–	1,083	64
Group's effective interest	–	–	–	379	22

15 OTHER FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans to other parties	12,431	16,307	–	–

The principal amounts and maturity dates of the Group's loan to other parties at 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Maturity date				
1 August 2011	20,000	20,000	–	–
13 July 2013	–	1,500	–	–
28 December 2013 (early settled in 2009)	–	1,600	–	–
28 February 2016	1,062	1,062	–	–
	21,062	24,162	–	–

All loans to other parties are unsecured and interest free. The loans are initially recognised based on an estimated fair value using expected future cash flows and a pre-tax discount rate of 17.32% and 12.84% to 15.70% respectively for each of the year ended 31 December 2007 and 2008. The discount rates reflected the specific risks relating to the relevant loan to other parties. Details of the policy are set out in note 1(g).

The movement of the other financial assets during the year 2007, 2008 and 2009 and 30 June 2010 is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other financial assets				
– loans to other parties:				
At 1 January	309	12,431	16,307	–
New loans to other parties	20,000	3,100	–	–
Difference between fair value and loan amount on initial recognition of other financial assets	(8,951)	(1,732)	–	–
Effective interest income on other financial assets *(Note 3)*	1,073	2,508	2,654	–
Early settlements	–	–	(3,589)	–
Deemed distribution	–	–	(15,372)	–
At 31 December/30 June	12,431	16,307	–	–

During 2009, loans to other parties with carrying amount of RMB3,589,000 were early settled with proceeds of RMB4,600,000, resulting in a gain of RMB1,011,000.

As at 31 December 2009, loans to other parties with an aggregate net book value of RMB15,372,000 were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

16 INVENTORIES

Inventories in the combined balances sheets comprise:

	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

17 TRADE AND OTHER RECEIVABLES

Trade and other receivables in the combined balances sheets comprise:

	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
Deposits and prepayments	24,912	20,538	17,682	16,815
Other receivables	61,117	64,877	37,124	15,627
	218,688	224,556	213,758	386,192

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

(a) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see note 1(m)(i)).

The movement in the allowance for doubtful debts during the year ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, including specific loss components, is as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,201	1,201	5,496	4,489
Impairment loss recognised	–	4,295	1,641	37
Deemed distribution	–	–	(2,648)	–
At 31 December/30 June	1,201	5,496	4,489	4,526

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

(b) Ageing analysis

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the 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 the Group. Based on past experience, 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. The directors consider that this is in line with the industry practice especially for infrastructure investment. The directors have considered the projects and background of each overdue debtor and considered that no additional impairment is needed.

The Group does not hold any collateral over these balances.

As at 31 December 2009, trade receivables, bills receivables, deposits and prepayments and other receivables with an aggregate carrying value of approximately RMB14,880,000, RMB300,000, RMB760,000 and RMB10,355,000, respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

18 PLEDGED DEPOSITS

Bank deposits have been pledged to banks for bills payable (see note 21). The pledged deposits are expected to be released within 12 months.

As at 31 December 2009, pledged deposits with an aggregate carrying value of approximately RMB31,589,000 were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

19 CASH AT BANK AND IN HAND

As at 31 December 2007, 2008 and 2009 and 30 June 2010, bank balances denominated in RMB that were placed with banks in the PRC and included in the balance amounted to RMB31,485,000, RMB14,079,000, RMB26,702,000 and RMB54,227,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

As at 31 December 2009, cash at bank and in hand with an aggregate carrying value of approximately RMB30,224,000 were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

20 BANK LOANS

All bank loans were denominated in RMB and were repayable within one year.

Details of bank loans and respective effective interest rates are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured floating rate loans	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 December 2009, bank loans with an aggregate carrying value of approximately RMB57,500,000 were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

21 TRADE AND OTHER 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
Receipts in advance	78,106	47,759	39,938	3,310
Other payables and accruals	15,061	17,529	19,153	27,746
	198,308	198,372	323,949	290,217

Bills payable as at 31 December 2007, 2008 and 2009 and 30 June 2010 were secured by pledged bank deposits (see note 18).

All of the trade and other payables are expected to be settled within one year as the credit period granted by suppliers ranges from 15 to 180 days.

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

	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

As at 31 December 2009, trade payables, bills payable, receipts in advance and other payables and accruals with an aggregate carrying value of approximately RMB28,246,000, RMB56,000,000, RMB1,385,000 and RMB4,398,000 respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

22 AMOUNTS DUE FROM/TO RELATED PARTIES AND DIRECTORS

The amounts due from/to related parties and directors were unsecured, interest-free and had no fixed repayment terms, except for an advance to Shanghai Shuanghuan Investment Development Co., Ltd.* ("上海雙歡投資發展有限公司" or "Shanghai Shuanghuan") amounted to RMB69,356,000 and RMB78,117,000 as at 31 December 2007 and 2009, respectively, which carried an interest of 2.22% and 5.55% per annum for the year ended 31 December 2007 and 2009. The directors confirm that no interest was charged for the advance in 2008.

As at 31 December 2009, the amounts due from related parties and directors with an aggregate carrying value of approximately RMB213,334,000 and RMB3,216,000 respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

23 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities in Jiangsu province whereby the Group is required to make contributions to the Schemes at the rate of 18% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

24 INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Current taxation in the combined balance sheets represents:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for PRC income tax	2,047	4,019	6,766	16,666
Represented by:				
Tax payable	2,047	4,462	6,766	16,666
Less: Tax recoverable	–	(443)	–	–
	2,047	4,019	6,766	16,666

As at 31 December 2009, current taxation with an aggregate carrying value of RMB1,406,000 was retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

(b) Deferred tax assets and liabilities

Recognised deferred tax assets/ (liabilities) are attributable to the following:

	Provision for impairment of trade receivables	Unrealised profits of intragroup sales	Other financial assets	Unremitted profits of PRC subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	395	–	248	–	643
Credited to combined income statements	–	55	1,969	–	2,024
Effect of change in tax rate	(95)	–	(60)	–	(155)
At 31 December 2007	300	55	2,157	–	2,512
Credited/(charged) to combined income statements	1,062	(52)	(281)	(1,882)	(1,153)
At 31 December 2008	1,362	3	1,876	(1,882)	1,359
Credited/(charged) to combined income statements	410	(3)	(828)	443*	22
Deemed distribution	(662)	–	(1,048)	–	(1,710)
At 31 December 2009	1,110	–	–	(1,439)	(329)
Credited to combined income statements	193	3	–	1,439	1,635
At 30 June 2010	1,303	3	–	–	1,306

* The amount includes the provision of withholding tax on profits of PRC subsidiaries for 2009 amounting RMB3,855,000 and the reversal of such withholding tax in respect of dividends declared in 2009 amounting RMB4,298,000.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Represented by:				
Deferred tax assets	2,512	3,241	1,110	1,306
Deferred tax liabilities	–	(1,882)	(1,439)	–
	2,512	1,359	(329)	1,306

As at 31 December 2009, deferred tax assets with an aggregate carrying value of approximately RMB1,710,000 were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

25 PAID-IN CAPITAL

The Company was incorporated on 12 February 2010. Since the Reorganisation was not completed as at 30 June 2010, the paid-in capital in the combined balance sheets as at the respective balance sheet dates represented the aggregate amount of paid-in capital of the companies comprising the Group after elimination of investments in subsidiaries.

On 29 January 2010, the authorised and issued share capital of Boer Hong Kong was increased from HK$10,000 to HK$100,000 comprising 100,000 shares.

26 RESERVES

(a) Capital reserve

The capital reserves in the combined balance sheet as at 31 December 2007, 2008 and 2009 and 30 June 2010 included the excess on transfer of equity from non-controlling interests of Yixing Boai amounted to RMB742,000. As the Group has obtained controlling interests when it owns 55% of the equity shares of Yixing Boai, subsequent acquisitions are accounted for at book value, with the premiums on subsequent purchases from non-controlling interests of Yixing Boai accounted for in equity under capital reserve.

On 8 January 2010, Boer Hong Kong acquired the remaining 20% equity interest in Boer Yixing from Yixing Boai at a consideration of US$250,000. Prior to this transaction, the Group had a 95% effective interest in Boer Yixing, represented by an 80% equity interest held by Boer Hong Kong, a wholly-owned subsidiary of the Group, and a 20% equity interest held by Yixing Boai, a 75% owned subsidiary of the Group. As a result of this transaction, Boer Yixing become a wholly-owned subsidiary of Boer Hong Kong and the Group. The change of the Group's effective equity interest in Boer Yixing did not result in a change of control and is therefore accounted for as an equity transaction. The carrying amount of the 25% non-controlling interest in Yixing Boai has been adjusted by RMB2,419,000, with a corresponding credit to capital reserves, to reflect the non-controlling interest's share of the difference between the consideration received by Yixing Boai and 20% of the net assets of Boer Yixing that was transferred to Boer Hong Kong.

On 12 January 2010, Boer Hong Kong acquired 15% equity interest in Boer Wuxi from the Predecessor Entity at a consideration of US$1,950,000. The excess of the non-controlling interest over the cost of acquisition of approximately RMB3,732,000 was credited to capital reserve. Following this acquisition, Boer Wuxi became a wholly-owned subsidiary of the Group.

(b) Statutory reserve

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Predecessor Entity and the Company's subsidiary established in the PRC. Transfers to the reserves were approved by the respective board of directors.

According to the Articles of Association of Boer Wuxi, Boer Yixing and Yixing Boai, these entities are required to transfer part of its net profits (after offsetting prior year losses), as determined under the approval by the respective board of directors, to statutory general reserve. For the year ended 31 December 2007, appropriations were made by Boer Wuxi and Boer Yixing to the general reserve and the enterprise expansion fund at 10% and 3% respectively of their profit after taxation determined under PRC GAAP. For the year ended 31 December 2008, appropriations were made by Boer Wuxi, Boer Yixing and Yixing Boai to the general reserve and the enterprise expansion fund at 10% and 3% respectively of their profit after taxation determined under PRC GAAP.

Enterprise expansion fund can be used to increase the capital of the subsidiaries, to acquire property, plant and equipment and to increase current assets while statutory general reserve can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity owners proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

On 5 August 2009 and 31 December 2009, the board of directors of Boer Yixing approved the distribution of dividends to equity holders, out of which RMB3,389,000 were paid out of the statutory reserve comprising the enterprise expansion reserve and general reserve, after reversal of appropriation of such reserve.

(c) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside mainland China.

The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(d) Distributable reserve

There was no reserve available for distribution to shareholders by the Company during the Relevant Period as the Company has not carried on any business since it was incorporated on 12 February 2010.

The aggregate amount of distributable reserves at 31 December 2007, 2008 and 2009 and 30 June 2010 of the companies now comprising the Group were RMB55,434,000, RMB98,855,000, RMB150,316,000 and RMB176,862,000, respectively.

(e) Deemed distribution to equity holders upon the reorganisation

Upon the completion of the assumption of the Predecessor Operations to the Group on 31 December 2009, assets and liabilities with an aggregate net book value of RMB73,331,000 were retained by the Predecessor Entity and were deemed to have been distributed to the equity holders of the Company on 31 December 2009. Details of the Restained Assets are set out in Section A.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The company defines "capital" as including all components of equity. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and bills payable), plus unaccrued proposed dividends, less cash and capital is defined as the total equity.

The Group's adjusted net debt-to-capital ratio was 136.2%, 90.8%, 85.5% and 26.5% as at 31 December 2007, 2008 and 2009 and 30 June 2010. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of the companies now comprising the Group are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) 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 Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. Approximately 13%, 13%, 14%, 11% and 20% of the Group's revenue is attributable to sales transactions with a single customer for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively. The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes amongst other things, external ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis. The Group chases the customers to settle the due balances and monitors the settlement progress on an ongoing basis.

At the balance sheet date, the Group has a certain concentration of credit risk as 12% and 22%, 12% and 28%, 8% and 30% and 19% and 43% of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets after deducting any impairment allowance.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

(c) Interest rate risk

The interest rates of the Group's bank loans are disclosed in note 20.

A general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax by an amount as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
100 basis point increase	312	341	77	180	13

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date.

(d) Foreign currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly 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. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal export sales in the Relevant Period and the impact of foreign currency risk on the Group's total sales is minimal.

(e) Fair value

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007, 2008 and 2009 and 30 June 2010.

28 CONCENTRATION OF SUPPLIERS

Although there are a number of suppliers of raw materials inside or outside PRC, the Group relies principally on a supplier for its supply of raw materials. Should this supplier fail to deliver in a timely manner, delays or disruptions in the supply and delivery of the Group's products could result. On the other hand, the Group is an authorised system integrator of this supplier. Should the Group be unable to renew the license as an authorised system integrator, the Group may lose a significant portion of its business.

The Group has a certain concentration of suppliers as 31%, 35%, 33%, 33% and 21% of the total raw materials were purchased from this supplier for the year ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively.

29 COMMITMENTS

(a) Capital commitments

Capital commitments for the acquisition of property, plant and equipment outstanding at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	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

(b) Operating leases commitments

The total future minimum lease payments under non-cancellable operating leases 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

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

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

During the Relevant Period, the directors are of the view that the following are related parties of the companies now comprising the 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 the Group
Diadem	Associate company to the Group
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
Predecessor Entity	Effectively 80% and 20% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively. Upon the completion of the assumption of Predecessor Operations on 31 December 2009 as explained in section A, the Predecessor Entity was considered a related party for disclosure purpose.

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

(a) Related parties transactions

Included in the balance as at 31 December 2007, 2008 and 2009 and 30 June 2010 set out in note 30(b) are unsecured, interest free advance made to/from related parties of the Group except for short term advance to Shanghai Shuanghuan, which charged interest of 2.22% and 5.55% per annum respectively for the year ended 31 December 2007 and 2009. Advances to and from related parties are set out as below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term advances to/(from) related parties of the Group					
– Mr. Qian Yixiang	(39)	788	(1,019)	(780)	39
– Ms. Jia Lingxia	(125)	199	3,563	3,219	39
– Mr. Qian Zhongming	–	(1,460)	(540)	(540)	–
– Mr. Tao Qi	15	175	(173)	(213)	–
– Mr. Jia Minghao	4,520	3,395	1,266	1,266	–
– Shanghai Shuanghuan	(16,282)	929	17,826	13,716	–
– Shanghai Changcheng	32,215	9,230	38,178	73,158	–
– Shanghai Boer	–	500	(500)	647	–
– Shanghai High-Speed Rail	3,000	(2,300)	10	–	–
– Predecessor Entity	–	–	–	–	–
	23,304	11,456	58,611	90,473	78
Interest income received from Shanghai Shuanghuan	1,750	–	4,110	2,497	–

The directors of the Company have confirmed that the above transactions will not be continued in the future after the Listing.

In addition, the Group had the following significant transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of EDS Solutions					
– Shanghai Changcheng	–	–	29,642	8,915	–
Sales of CSP Business					
– Shanghai Boer	–	–	–	–	678
Purchases of raw materials					
– Shanghai Boer	–	968	4,715	–	2,712
Rental expenses					
–Predecessor Entity *(note(c))*	–	–	–	–	424

(b) Balances with related parties

As at each balance sheet date, the Group had the following balances with related parties:

(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	–
– Predecessor Entity *(Note i)*	–	–	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	–
– Predecessor Entity *(Note i)*	–	–	21,057	–
	6,696	9,266	25,562	221

Note i) The amounts due from/to the Predecessor Entity as at 31 December 2007 and 2008 have been eliminated on the Group's combined balance sheets. Upon completion of the assumption of the Predecessor Operations as explained in Section A, the amounts due from/to the Predecessor Entity were no longer eliminated and were presented as amounts due from/to a related party in the combined balance sheet as at 31 December 2009.

Except for amount due from Shanghai Shuanghuan (note 30(a)), the amounts due from/to related parties as at 31 December 2007, 2008 and 2009 and 30 June 2010 are unsecured, interest free and have no fixed repayment terms. There was no provision made against these amounts due from related parties as at 31 December 2007, 2008 and 2009 and 30 June 2010.

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

As at 31 December 2009, guarantees were given by Mr. Qian Yixiang and the Predecessor Entity in respect of loans to the Group totalling to RMB20,000,000. These financial guarantees were discharged in April 2010.

As at 31 December 2009, a subsidiary of the Group provided guarantees in favour of the Predecessor Entity for its bank loans of RMB46,500,000 for no consideration. These guarantees have been released before the Listing.

As at 31 December 2009, the amounts due from related parties and directors with an aggregate carrying value of approximately RMB213,334,000 and RMB3,216,000 respectively were retained by the Predecessor Entity and had been reflected as deemed distribution to the Controlling Shareholders of the Company for the year ended 31 December 2009.

(c) Lease agreements

Boer Wuxi entered into a lease agreement on 1 January 2008 with the Predecessor Entity, pursuant to which Boer Wuxi leased from the Predecessor Entity the production premise and office building with a total floor area of 2,000 square metres, with a fixed monthly rental payable of RMB10,000. The lease terminated on 31 December 2009. In February 2010, Boer Wuxi entered into a new lease agreement with the Predecessor Entity, pursuant to which Boer Wuxi leased from the Predecessor Entity production premise and office building, with a fixed monthly rental payable of RMB70,000 for a period of 10 years from 1 January 2010 to 31 December 2019.

Boer Service entered into a lease agreement on 4 November 2008 with the Predecessor Entity, pursuant to which Boer Service leased the production premise and office building with a total floor area of 80 square metres from the Predecessor Entity without consideration. The lease terminated on 31 December 2009. In February 2010, Boer Service entered into a new lease agreement with the Predecessor Entity, pursuant to which Boer Service leased from the Predecessor Entity, production premise and office space with a fixed monthly rental payable of RMB600 for 10 years which from 1 January 2010 to 31 December 2019.

(d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits	235	512	1,328	555	2,283
Contributions to retirement benefit scheme	33	41	71	20	66
Total	268	553	1,399	575	2,349

Total remuneration is included in "staff costs" (note 4(b)).

(e) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal governments for its employees in the PRC. The details of the Group's defined contribution retirement plan are described in note 23.

There were no material outstanding contributions to post-employment benefit plans as at 31 December 2007, 2008 and 2009 and 30 June 2010.

31 SUBSIDIARIES

The following list contains details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
Boer Hong Kong	Years ended 31 March 2007, 2008 and 2009	Kwok & Partners Certified Public Accountants
	For the period from 1 April to 31 December 2009**	KPMG
Boer Wuxi	Years ended 31 December 2007, 2008 and 2009	Wuxi Zheng Zhuo CPAs Ltd.
Boer Yixing	Years ended 31 December 2007 and 2008	Yixing Fangzheng CPAs Ltd.* (宜興方正會計師事務所有限公司)
	Year ended 31 December 2009	Wuxi Jiayu Certified Public Accountants Co., Ltd.
Yixing Boai	Years ended 31 December 2007 and 2008	Yixing Fangzheng CPAs Ltd.* (宜興方正會計師事務所有限公司)
	Year ended 31 December 2009	Wuxi Jiayu Certified Public Accountants Co., Ltd.
Boer Service	Period from 4 November to 31 December 2008 and year ended 31 December 2009	Wuxi Jiayu Certified Public Accountants Co., Ltd.

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

** The change of the financial period end date of Boer Hong Kong from 31 March to 31 December was to conform with the financial year of the Company and the Group's subsidiaries.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party of the Company as at 30 June 2010 was the Controlling Shareholders.

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at each balance sheet date.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at each balance sheet date.

(d) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with an indefinite live are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

34 FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 12 February 2010 with authorised share capital of HK$390,000 divided into 3,900,000 shares of HK$0.1 par value. On 12 February 2010, the Company issued 1 share at par value of HK$0.1. On the same date, the Company issued 999 shares at par for cash to broaden the capital base of the Company.

The Company has not carried on any business since its date of incorporation. As at 30 June 2010, the Company only has nominal amounts of net assets.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in preparing the Financial Information.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in material impacts to the Group's results of operations and financial position.

36 SUBSEQUENT EVENTS

The following significant event took place subsequent to 30 June 2010:

(a) Group reorganisation

On 30 September 2010, the Group completed the Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's share on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History and Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

(b) Capitalisation issue

Pursuant to the resolutions in writing of the shareholders of the Company passed on 30 September 2010, the authorised share capital of the Company was increased to HK$200,000,000 by the creation of an additional 1,996,100,000 ordinary shares of HK$0.1 each. In addition, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company ("IPO") and subject to the IPO price, the Company will capitalise up to an amount of HK$56,249,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par up to 562,490,000 shares, each of which will be allotted and issued to the shareholders of the Company.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong