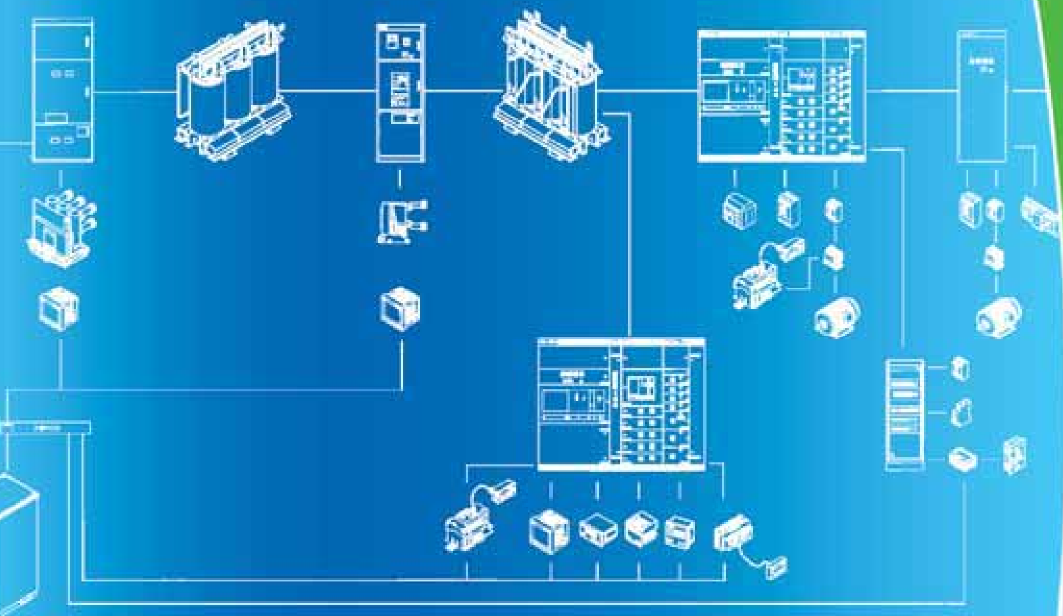
BOER

BOER POWER HOLDINGS LIMITED
博耳電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1685



Annual Report 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Mr. Qian Yixiang *(Chairman and Chief Executive Officer)*
Ms. Jia Lingxia
Mr. Zha Saibin
Mr. Qian Zhongming

Independent non-executive directors
Mr. Yeung Chi Tat
Mr. Tang Jianrong
Mr. Zhao Jianfeng

AUDIT COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
Mr. Tang Jianrong
Mr. Zhao Jianfeng

REMUNERATION COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
Mr. Tang Jianrong
Mr. Zhao Jianfeng
Mr. Qian Yixiang
Ms. Jia Lingxia

COMPANY SECRETARY

Mr. To Kwong Yeung

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Mr. To Kwong Yeung

AUDITOR

KPMG

LEGAL ADVISER

Stephenson Harwood

COMPLIANCE ADVISER

CCB International Capital Limited

INVESTOR AND MEDIA RELATIONS CONSULTANT

Ketchum Newscan Public Relations Ltd.

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND HEAD OFFICE IN THE PRC

National Highway No. 312
Luoshe Town
Huishan District
Wuxi City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 1805
18/F, Infinitus Plaza
No. 199 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.wuxi-power.com

FINANCIAL SUMMARY

	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover and Profit				
Turnover	**911,059**	490,716	405,514	357,274
Profit before taxation	**215,789**	100,554	66,151	41,594
Income tax	**(28,563)**	(15,331)	(12,800)	(1,588)
Profit for the year	**187,226**	85,223	53,351	40,006
Profit attributable to				
Equity shareholders of the Company	**180,107**	76,403	51,557	39,343
Non-controlling interests	**7,119**	8,820	1,794	663
Dividends-proposed final	**46,688**	–	–	–
Assets and Liabilities				
Non-current assets	**89,410**	63,246	76,232	51,259
Current assets	**1,668,967**	548,215	464,465	454,094
Current liabilities	**(392,020)**	(406,277)	(357,100)	(376,551)
Non-current liabilities	**–**	(1,439)	(1,882)	–
Net assets	**1,366,357**	203,745	181,715	128,802
Equity attributable to				
Equity shareholders of the Company	**1,366,357**	172,155	175,990	124,871
Non-controlling interests	**–**	31,590	5,725	3,931

The figures for the three years ended 31 December 2009, 2008 and 2007 have been extracted from the prospectus of the Company dated 7 October 2010.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report to the Shareholders the annual results of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (the "Group") for the year ended 31 December 2010.

The year 2010 marked a new milestone for Boer Power. We were listed on the main board of the Hong Kong Stock Exchange on 20 October 2010 as the largest pure-domestic electrical distribution systems and solutions provider in the high-end segment of the electrical distribution equipment market in China. The share offering was well received by international and Hong Kong investors and we succeeded in raising approximately HK$1.2 billion, which provided us with an advantage in furthering our growth and development.

Last year, through our quality products and services, we were able to win over an extensive group of prestigious high-end customers with whom we worked hard to cultivate long-term relationships. We have customers such as China Mobile and McDonald's and our customer profile cover industries in telecommunications, infrastructure construction, cement, water and waste water processing and healthcare. In addition, we have been able to provide our customers with quality products and services through our collaboration with two world-famous leading electrical distribution systems and solutions providers, Schneider and ABB. During the year under review, we focused on the high-end market, aiming at providing customised integrated electrical distribution systems and solutions to leading players in China. We also strived to enhance our capability in advanced technologies and increase our investments in research and development. In addition to our own research capability, we have established a long-term research relationship with Jiangnan University. In January 2010, we entered into a cooperation agreement with Dongnan University in Nanjing to set up a joint research centre.

Efficient utilisation of electricity and energy conservation are the market trend in China. The increasing demand for safe, stable and efficient power systems from end users including financial institutions, hospitals, chain stores and telecommunication companies paved the way for Boer Power's development. In 2009, the State Grid Corporation of China finalised the plan for the construction of a robust smart grid in three phases. China's total investment for smart grid is expected to exceed RMB4 trillion in the coming decade. Thanks to the above factors, market demands for our intelligent electrical distribution systems are increasing, which provide us with good business opportunities.

Looking forward, we can identify two major areas of growth. The first is to capitalise on the momentum of the rapid development of the high-end market. The second is to enter the huge middle-end market by expanding the manufacture and sales of components. In 2010, we achieved a breakthrough in our cooperation with China Mobile and our business made a rapid expansion from Jiangsu and Zhejiang to the whole country. In 2011, we plan to expand our presence to twenty provinces and cities where China Mobile is covering. In 2012 we shall strive to serve all provinces and cities covered by China Mobile. As regards our research and development, we shall focus on energy efficiency and smart grid technologies. Meanwhile, we are constructing a new plant in Wuxi, which is expected to commence operation in the second quarter of this year and double the capacity of the Group.

I am confident with the long-term development of the industry. The Group's successful listing in Hong Kong has raised its profile locally and overseas. By putting our foothold in the high-end market and by providing customers with products and services of high quality and performance, we believe that the Group can stand out amongst its numerous competitors in the country. As the chairman of the Group, I shall continue to lead Boer Power towards its goals, improve the competitive edges of Boer Power and bring plentiful returns to our shareholders.

On behalf of Boer Power, I would like to extend our gratitude to all staff, customers and business partners who have contributed towards the development of Boer Power. I would also like to take this opportunity to thank the investors and shareholders who have extended their support and trust to the Group all this time. We shall keep up our efforts and conscientiously carry out our duties, and achieve better results for our gratitude to everyone who support us!

Qian Yixiang
Chairman

23 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

BUSINESS REVIEW

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

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

OPERATION AND FINANCIAL REVIEW

The Group has four business segments:

– Electrical Distribution System Solutions (“EDS Solutions”);

– Intelligent Electrical Distribution System Solutions (“iEDS Solutions”);

– Energy Efficiency Solutions (“EE Solutions”); and

– Components and Spare Parts Business (“CSP Business”)

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

EDS Solutions

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

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

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

iEDS Solutions

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

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

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

EE Solutions

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

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

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

CSP Business

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

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

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

PROSPECT

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The cash and cash equivalents balance as at 31 December 2010 amounted to RMB268 million. As at 31 December 2010, the Group's financial position remained healthy, with equity attributable to equity shareholders of the Company of RMB1,366 million (2009: RMB172 million).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEES AND REMUNERATION POLICY

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

QIAN Yixiang

QIAN Yixiang, aged 37, is the chairman of our Board and the chief executive officer of our Company. Mr. Qian Yixiang was appointed a director of our Board on 12 February 2010. Mr. Qian Yixiang is primarily responsible for the overall management and strategic development of our Group. Mr. Qian Yixiang joined Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"), the predecessor entity of the Group, in July 1995 and became the general manager of Wuxi Boer in January 1998. Since he first joined Wuxi Boer in July 1995, Mr. Qian Yixiang has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian Yixiang graduated from Jiangnan University with a diploma in Business Management in 1995. Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

JIA Lingxia

JIA Lingxia, aged 37, is an executive director and is the chief operating officer of our Company. Ms. Jia was appointed a director of our Board on 12 February 2010. Ms. Jia is primarily responsible for the overall management of the daily operations of our Group. Ms. Jia joined Wuxi Boer in August 1995 and became the deputy general manager of Wuxi Boer in January 1997. From February 1995 to August 1995, Ms. Jia worked at Wuxi Special Ventilation Machine Factory, currently known as Wuxi Xishan Special Ventilation Machine Factory, as the head of the accounts department. Since Ms. Jia joined Wuxi Boer in August 1995, she has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Ms. Jia graduated from Jiangnan University with a diploma in Business Management in 1995. Ms. Jia Lingxia is the wife of Mr. Qian Yixiang and the daughter-in-law of Mr. Qian Zhongming.

ZHA Saibin

ZHA Saibin, aged 44, is an executive director and a vice president of our Company responsible for new products development. Mr. Zha was appointed a director of our Board on 12 February 2010. Mr. Zha is primarily responsible for the product development of our Group. Mr. Zha joined Wuxi Boer in June 2000 and became the assistant manager and the head of research and development department of Wuxi Boer in 2003. Prior to joining our Group, Mr. Zha worked at Wuxi City Apparatus Factory from July 1990 to May 2000 and was later appointed as the head of research and development and the deputy general manager in January 1996 and November 1997, respectively. Since joining Wuxi Boer in June 2000, Mr. Zha has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Zha received a bachelor's degree in Engineering in 1990 from Hefei University of Technology.

QIAN Zhongming

QIAN Zhongming, aged 64, is an executive director and a vice president of our Company responsible for assisting Mr. Qian Yixiang in the formulation of the strategic development plans of our Group. Mr. Qian Zhongming was appointed a director of our Board on 12 February 2010. As a founding member of Wuxi Boer, Mr. Qian Zhongming acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry during the last 20 years. Mr. Qian Zhongming graduated from Luoshe Senior High School in 1966. Mr. Qian Zhongming is the father of Mr. Qian Yixiang and the father-in-law of Ms. Jia Lingxia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YEUNG Chi Tat

YEUNG Chi Tat, aged 41, joined our Board as an independent non-executive director on 30 September 2010 and was appointed as the chairman of our Company's audit committee, remuneration committee and nomination committee on 30 September 2010. Mr. Yeung is currently the president of the International Financial Management Association Hong Kong headquarters, the vice-president of the Hong Kong Wine Merchants' Chamber of Commerce and the financial controller and company secretary of Dynasty Fine Wines Group Limited (Stock Code: 828), a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Ta Yang Group Holdings Limited (Stock Code: 1991) and ANTA Sports Products Limited (Stock Code: 2020), which are listed on the Main Board of the Stock Exchange. Mr. Yeung was an independent non-executive director of China Eco-Farming Limited (Stock Code: 8166), which is listed on the GEM Board of the Stock Exchange, from September 2008 to May 2010.

Mr. Yeung received a bachelor's degree in Business Administration from the University of Hong Kong in 1993 and a master's degree in Professional Accounting with distinction from Hong Kong Polytechnic University in 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a senior international finance manager of the International Financial Management Association and a Certified Public Accountant practicing in Hong Kong. Mr. Yeung worked at a major international accounting firm for over 10 years. He possesses extensive experience in auditing, corporate restructuring and corporate finance.

TANG Jianrong

TANG Jianrong, aged 47, joined our Board as an independent non-executive director on 30 September 2010 and was appointed as a member of our Company's audit committee, remuneration committee and nomination committee on 30 September 2010. Mr. Tang is currently a professor in the business faculty and a deputy director of the MBA teaching centre at Jiangnan University. Our Group entered into a research and development contract with Jiangnan University on 31 March 2006, pursuant to which we agreed to pay Jiangnan University RMB100,000 as research and development fee. Although our Group has established a long-term research relationship with Jiangnan University, Mr. Tang Jianrong has never been involved in any of the research and development programmes undertaken by Jiangnan University for our Group. Mr. Tang Jianrong currently does not receive and has not in the past ever received any personal benefit from the cooperation relationship between our Group and Jiangnan University. Mr. Tang Jianrong currently is not personally interested in and was not in the past ever personally interested in such cooperation relationship.

Mr. Tang received a bachelor's degree in Economics from Hebei Geology College, currently known as Shijiazhuang University of Economics, in 1987. He then received a master's degree in Economics from Zhongnan University of Economics in 1990. He received a doctoral degree in Science from Nanjing University in 2009.

ZHAO Jianfeng

ZHAO Jianfeng, aged 38, joined our Board as an independent non-executive director on 30 September 2010 and was appointed as a member of our Company's audit committee, remuneration committee and nomination committee on 30 September 2010. Mr. Zhao is currently the vice dean of School of Mechanical Engineering at Dongnan University. His main research area covers high-efficiency electronics technology, energy saving technology and renewable energy sources. Our Group entered into a cooperation agreement with Dongnan University on 5 January 2010, pursuant to which we agreed to inject not less than RMB1 million annually into a joint research centre set up by Dongnan University and our Group for the research and development of intelligent electrical distribution equipment and energy efficient equipment. There is no maximum amount of our annual injection of capital into the joint research centre under the cooperation agreement because the budget for each research and development project of the joint research centre may vary, depending on the size of the project and the necessary technologies, equipment and manpower involved. Therefore, we may, at our discretion (but are not obliged to), inject more than RMB1 million into the joint research centre in one year for any research and development project as we think fit. Nevertheless, we expect that the total injection of capital into the joint research centre by the Company in the three years of cooperation will not exceed RMB4 million. Mr. Zhao Jianfeng was not personally involved in, and will not benefit from, the cooperation between our Group and Dongnan University or the setting up of the joint research centre. Neither was Mr. Zhao Jianfeng involved in the negotiation of the cooperation agreement. Mr. Zhao Jianfeng currently does not receive and has not in the past received any personal interest from the cooperation relationship between our Group and Dongnan University. He is currently not personally interested in and was not in the past ever personally interested in such cooperation relationship.

Mr. Zhao received his bachelor's degree in Engineering from Huainan Mining Institute, currently known as Anhui University of Science & Technology, in 1995. After receiving his master's degree in Engineering from Nanjing University of Aeronautics and Astronautics in 1998, he received a doctoral degree in Engineering from Dongnan University in 2001.

SENIOR MANAGEMENT

HUANG Liang

HUANG Liang, aged 37, is our financial controller. Mr. Huang is primarily responsible for the finance and treasury of our Group. Mr. Huang has over 18 years of experience in accounting and finance. Mr. Huang joined Boer Wuxi in January 2009 as the financial manager. Prior to joining our Group, Mr. Huang worked as the head of the finance department of Wuxi Second Boarding House from October 1991 to May 2001 and an assistant manager of Wuxi Zhengzhuo CPAs Ltd., currently known as Jiangsu Zhengzhuo CPAs Ltd. from June 2001 to December 2008. Mr. Huang graduated from Shanghai University of Finance and Economics with a diploma in Accounting in 1996.

TO Kwong Yeung

TO Kwong Yeung, aged 32, is the chief financial officer and the company secretary of our Company. Mr. To joined our Group in November 2009. He graduated from the University of Hong Kong in 2000 with a bachelor's degree of Business Administration in Accounting and Finance. Mr. To is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and has over ten years of working experience in the finance and accounting profession. Prior to joining our Group, he worked as a senior manager in Ernst & Young.

HAN Weidong

HAN Weidong, aged 43, is a vice general manager of Boer Wuxi responsible for overseeing the daily operations of our Boer Wuxi. Mr. Han joined Boer Wuxi in January 2005 as an deputy general manager has since acquired his knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. From July 1990 to August 1998, Mr. Han worked as a electrical design engineer in the Planning and Designing Institute of Ministry of Light Industry. Prior to joining our Group, Mr. Han worked as a product manager in Schneider from September 1998 to November 2004. Mr. Han received a bachelor's degree in Engineering from North China Electric Power University in 1990.

BO Huizhong

BO Huizhong, aged 34, is the marketing manager responsible for the sales and marketing of our Group. Mr. Bo joined Boer Wuxi in April 2009 as the head of the marketing department. From August 1999 to February 2006, Mr. Bo worked as a technical engineer in Changzhou Eaton Senyuan Switch Co., Ltd. Prior to joining our Group, Mr. Bo worked as a marketing engineer of Schneider from March 2006 to March 2009. During his time with Schneider, Mr. Bo has gained marketing experience in relation to electrical distribution systems and electrical distribution equipment industry. Mr. Bo received a bachelor's degree in Engineering from Nanjing University of Aeronautics and Astronautics in 1999.

ZHANG Jianqi

ZHANG Jianqi, aged 47, is the northern sales supervisor of our Group. Ms. Zhang is primarily responsible for the sales of products of our Group. Ms. Zhang joined Wuxi Boer in March 2003 as the sales supervisor concentrating on sales in northern China. From 1989 to 1991 and from 1991 to 1995, Ms. Zhang worked as an engineer in Beijing Bearing Research Institute and a research and development engineer in Beijing Yadu Science & Technology Co. respectively. She then worked as a sales manager at Moeller from May 1995 to August 1997. Prior to joining our Group, Ms. Zhang worked as a sales manager focusing on international customers of Schneider from September 1997 to February 2003. During her time with Moeller, Ms. Zhang gained sales and marketing experience in relation to the electrical distribution systems and electrical distribution equipment industry. Ms. Zhang received a bachelor's degree in Engineering from Beijing University of Technology in 1986.

ZHANG Jiaqing

ZHANG Jiaqing, aged 46, is the southern sales supervisor of our Group. Mr. Zhang is primarily responsible for the sales of products of our Group. Mr. Zhang joined Wuxi Boer in June 2004 as the sales supervisor concentrating on sales in southern China. Mr. Zhang was a teacher at Jiangsu Institute of Petrochemical Technology, currently known as Changzhou University, from June 1989 to October 1997. Prior to joining our Group, Mr. Zhang worked as a sales manager in Schneider from October 1997 to June 2004. During his time with Schneider, Mr. Zhang has gained experience in relation to the sales and marketing of electrical distribution systems and equipment. Mr. Zhang received a bachelor's degree in Engineering in 1986 and a master's degree in Engineering in 1989, both from Nanjing University of Aeronautics and Astronautics.

AN Di

AN Di, aged 38, is the head of internal compliance of our Group. Mr. An is primarily responsible for the implementation of internal control of our Group. Mr. An joined Wuxi Boer in March 2005 and was appointed as the assistant to the general manager and the head of internal compliance of Boer Wuxi in November 2009. Since he joined Wuxi Boer in March 2005, Mr. An has gained experience in overlooking the implementation of internal compliance matters. Prior to joining our Group, Mr. An had been an assistant to the factory director of Tianshui Cheungcheng General Electric Apparatus Factory. Mr. An graduated from Xian Jiaotong University with a diploma in Jurisprudence in 2006.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010.

The Company has complied with most of the code provisions stipulated in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 to 31 December 2010 (the "Review Period"), except for the deviation from the code provisions A.2.1 and C.1.3 of the Code as described in the following sections.

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for directors' securities transactions. All the directors have confirmed their compliance with the required standards set out in the Model Code during the Review Period.

The following sections set out how the principles in the Code have been complied with by the Company during the financial year ended 31 December 2010.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2010, the Board comprised seven directors consisting of four executive directors and three independent non-executive directors.

The Company has complied with rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient independent non-executive directors and at least one of the independent non-executive directors has appropriate professional qualifications or accounting or relating financial management expertise. Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has also received annual confirmation of independence to the Company from the three independent non-executive directors. The Board has assessed their independence and considered that all the independent non-executive directors are independent within the definition of the Listing Rules.

The composition of the Board is well balanced with each director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

Function

The Board is responsible for the oversight of the management of the Company's business and affairs with the objective of enhancing shareholder value.

Daily operations, business strategies and administration are delegated to the executive directors and the management with divisional heads responsible for different aspects of the business. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management.

Board meetings

During the Review Period, two meetings were held by the Board and the attendance record of each director is set out below:

Name of board members	Number of attendance	Number of meetings
Executive directors:		
Mr. Qian Yixiang	2	2
Ms. Jia Lingxia	2	2
Mr. Zha Saibin	2	2
Mr. Qian Zhongming	2	2
Independent non-executive directors		
Mr. Yeung Chi Tat	1	2
Mr. Tang Jianrong	2	2
Mr. Zhao Jianfeng	2	2

Notice of regular Board meetings is served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

Directors will receive relevant documents from the company secretary in a timely manner to enable the directors to be informed decisions on matters discussed in the Board meetings. The company secretary will ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Board minutes prepared and kept by the company secretary are sent to the directors for records and are open for inspection at any reasonable time on reasonable notice by any director.

Independent non-executive directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive directors, representing one-third of the Board. Among the three independent non-executive directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The independent non-executive directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the independent non-executive directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers, all independent non-executive directors, to be independent.

Chairman and chief executive officer

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

Appointment, re-election and removal

At any time or from time to time, the Board shall have the power to appoint any person as a director either to fill a casual vacancy on the Board or as an additional director to the existing Board subject to any maximum number of directors, if any, as may be determined by the members in general meeting. Any director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

In accordance with the articles of association of the Company, one third of the directors for the time being will retire from office by rotation.

A director may be removed by an ordinary resolution of the Company before the expiration of his term of office and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than two.

COMMITTEES OF THE BOARD

Remuneration committee

The Company established a remuneration committee on 30 September 2010 in compliance with Appendix 14 to the Listing Rules. The remuneration committee has five members comprising three independent non-executive directors and two executive directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the chairman of the remuneration committee.

Remuneration committee is responsible for making recommendations to the Board on the remuneration of our directors and senior management and determining on behalf of the Board specific remuneration packages and conditions of employment for the directors and senior management and evaluating and making recommendations on employee benefit arrangements.

The remuneration of directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

During the Review Period, one meeting was held by the committee and the attendance record of each committee member is set out below:

Name of committee members	Number of attendance	Number of meeting
Mr. Yeung Chi Tat	1	1
Mr. Tang Jianrong	1	1
Mr. Zhao Jianfeng	1	1
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

Audit committee

The Company established an audit committee on 30 September 2010 in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee has three members comprising independent non-executive directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng. Mr. Yeung Chi Tat is the chairman of the audit committee.

Audit committee is responsible for reviewing and supervising the financial reporting process and the internal control procedures of our Group and nominating and monitoring external auditor. The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2010 in conjunction with the Company's auditor.

During the Review Period, one meeting was held by the committee and the attendance record of each committee member is set out below:

Name of committee members	Number of attendance	Number of meeting
Mr. Yeung Chi Tat	1	1
Mr. Tang Jianrong	1	1
Mr. Zhao Jianfeng	1	1

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditor. Audit committee has reviewed the Company's annual results for the year ended 31 December 2010.

Nomination committee

The Company established a nomination committee on 30 September 2010 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The nomination committee has five members comprising three independent non-executive directors and two executive directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the chairman of the nomination committee.

Nomination committee is responsible for making recommendations to the Board on the appointment of executive directors and senior management and reviewing the structure, size and composition of the Board on a regular basis.

There has been no meeting of the nomination nommittee since its authorities and duties were adopted.

ACCOUNTABILITY AND AUDIT

Directors' responsibility

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

Internal controls

The Board is responsible for the effectiveness of internal control systems of the Group. The internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business strategies.

During the year, the Board has reviewed the effectiveness of the internal controls of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

During the year, the Audit Committee has reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's internal control processes are adequate to meet the needs of the Company in its current business environment.

Code provision C.1.3

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

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

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

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

Auditor's remuneration

During the year ended 31 December 2010, the remuneration to the auditor of the Company, KPMG, is set out as below:

Nature of services	**Remuneration RMB'000**
Audit service	1,450
Non-audit service – initial public offering	3,580
Total	5,030

RELATIONSHIP WITH INVESTORS AND SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, press announcements and information on the websites of the Stock Exchange and the Company.

The Annual General Meeting of the Company (the "AGM") provides opportunities for the shareholders to meet and raise questions to our Directors, the management and the external auditor. The members of the board and external auditor will attend the AGM. The Group encourages all Shareholders to attend. Shareholders can raise any comments on the performance and future directions of the Company and exchange views with the directors, the management and the external auditor at the AGM.

The Company continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans. The Company has regularly met with financial analysts, fund managers and potential investors, and has participated in a number of investors' conferences and roadshows organised by various investment banks since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 in order to enhance the Group's relationship with equity research analysts, fund managers, institutional investors and Shareholders and their understanding of the Group's strategies, operations and developments. All their discussions were limited to explanations of previously published material and general discussion of non-price sensitive information. In the future, the Group plans to continue to strengthen its investors' relationship by participating in roadshows and conferences.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements. The nature of the principal activities of the Group has not changed during the year.

RESULTS AND DIVIDENDS

The financial results of the Group for the year are set out in the consolidated statement of comprehensive income on page 30 of the annual report.

The directors recommend the payment of a final dividend of HK7 cents per ordinary share, totalling RMB46,688,000. The final dividend is expected to be paid to those shareholders whose names appear in the register of members of the Company at the close of business on 7 June 2011.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

The movements in the share capital of the Company during the year are set out in note 26(c) to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any Shares of the Company during the year.

RESERVES

The movements in reserves of the Group and the Company during the year and distributable reserves of the Company as at 31 December 2010 are set out in the consolidated statement of changes in equity and notes 26(a) and 26(e) to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 36% of the total turnover of the Group and the largest customer accounted for about 18% of the total turnover.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 43% and 56% of the Group's total purchase for the year.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers and customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. QIAN Yixiang *(Chairman and Chief Executive Officer)*
Ms. JIA Lingxia
Mr. ZHA Saibin
Mr. QIAN Zhongming

Independent non-executive directors
Mr. YEUNG Chi Tat
Mr. TANG Jianrong
Mr. ZHAO Jianfeng

In accordance with article 108 of the Articles of Association of the Company (the "Articles"), one-third of the directors for the time being shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement at least once every three years. Ms. Jia Lingxia and Mr. Zha Saibin, the executive directors and Mr. Yeung Chi Tat, the independent non-executive director, shall retire from their offices at the Annual General Meeting and shall be eligible to offer themselves for re-election pursuant to articles 108 and 109 of the Articles of Association of the Company.

DIRECTORS'S SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The independent non-executive directors have been appointed for a term of three years in accordance with their respective appointment letters.

Save as disclosed above, none of the directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, its holding company, or any of its subsidiaries or related companies was a party during the year.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Particulars of the directors' remuneration and the five highest paid employees during the financial year are set out in notes 8 and 9, respectively to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

The directors of the Company who held office at 31 December 2010 had the following interests in the shares of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Directors			
Mr. Qian Yixiang	Interest of controlled corporation	517,500,000[(i)]	66.51
Ms. Jia Lingxia	Interest of controlled corporation	517,500,000[(i)]	66.51

Note:

(i) The 517,500,000 shares are owned by King Able Limited ("King Able"), a company owned as to 50% by Mr. Qian Yixiang, and 50% by Ms. Jia Lingxia.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of rewarding participants who have contributed to the Group and encouraging participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and shareholders as a whole. Eligible participants of the Scheme include the Company's directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The Scheme is valid and effective for a period of ten years commencing from 30 September 2010, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and those remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant as within the share option period for which such share options are granted, notwithstanding the expiry of the Scheme.

Grant of Options to connected persons or any of their associates

Any grant of options to any director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive directors (excluding independent non-executive directors who are the proposed grantees of the options in question). Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and

(ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million,

such further grant of options shall be subject to prior approval by resolution of the shareholders (voting by way of poll). The Company shall send a circular to the shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the shareholders.

The directors may, at their discretion, invite participants to take up options at a price calculated in accordance with paragraph (iv) below. An offer shall remain open for acceptance by the participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period or after the Share Option Scheme is terminated or after the participant has ceased to be a participant.

An offer is deemed to be accepted when our Company receives from the grantee the offer letter signed by the grantee specifying the number of shares in respect of which the offer is accepted, and a remittance to our Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

The offer shall specify the terms on which the option is granted. Such terms may at the discretion of the Board, include, among other things, (a) the minimum period for which an option must be held before it can be exercised; and/or (b) a performance target that must be reached before the option can be exercised in whole or in part; and (c) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no share option was granted to directors and employees of the Company or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interests.

At the end of the reporting period, the Company had no share options outstanding under the Scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Substantial shareholders			
Mr. Qian Yixiang	Interest of controlled corporation	517,500,000(i)	66.51
Ms. Jia Lingxia	Interest of controlled corporation	517,500,000(i)	66.51
King Able	Beneficial owner	517,500,000(i)	66.51
Jin Bor-Shi	Interest of controlled corporation	45,000,000(ii)	5.78
Leon Capital Partners	Interest of controlled corporation	45,000,000(ii)	5.78
Leon Capital	Interest of controlled corporation	45,000,000(ii)	5.78
Leon Capital L.P.I	Interest of controlled corporation	45,000,000(ii)	5.78
Silver Crest Global Limited	Beneficial owner	45,000,000(ii)	5.78

Notes:

(i) The 517,500,000 shares are owned by King Able, a company owned as to 50% by Mr. Qian Yixiang, and 50% by Ms. Jia Lingxia.

(ii) Silver Crest Global Limited is wholly owned by Leon Capital L.P.I, which is controlled by Leon Capital. Leon Capital is wholly owned by Leon Capital Partners which is wholly owned by Jin Bor-Shi. Leon Capital L.P.I, Leon Capital, Leon Capital Partners and Jin Bor-Shi were all deemed to be interested in the 45,000,000 ordinary shares held by Silver Crest Global Limited.

CONNECTED TRANSACTIONS

(i) On 26 October 2010, the Company's indirect wholly owned subsidiary, Boer Hong Kong, as transferee, entered into the Equity Interest Transfer Agreement with Wuxi Weiqi as transferor, pursuant to which Boer Hong Kong acquired 25% equity interest in Yixing Boai for an aggregate consideration of RMB2.5 million (equivalent to approximately HK$2.96 million).

Upon the completion of such transfer on 29 October 2010, the equity interest owned by Boer Hong Kong in Yixing Boai increased from 75% to 100% and Yixing Boai became a wholly-owned subsidiary of the Company.

Prior to the completion of such transfer, Yixing Boai has been accounted for as a subsidiary of the Company and its accounts will continue to be consolidated into the Group's accounts upon the completion of such transfer.

Wuxi Weiqi is a company owned as to 90% by Ms. Qian Yiying and 10% by Mr. Tao Qi. Ms. Qian Yiying and Mr. Tao Qi are respectively (a) the daughter and son-in-law of Mr. Qian Zhongming (a director); (b) the sister and brother-in-law of Mr. Qian Yixiang (the chairman, chief executive officer and controlling shareholder of the Company); and (c) the sister-in-law and brother-in-law of Ms. Jia Lingxia (a director and controlling shareholder of the Company), Wuxi Weiqi is therefore a connected person of the Company and accordingly the execution of the Equity Interest Transfer Agreement constitutes a connected transaction of the Company.

(ii) On 15 March 2010, a master agreement ("Master Agreement") regarding a term of 3 years effective on 1 January 2010 was entered into among Boer (Yixing) Power System Co., Ltd. ("Boer Yixing"), a wholly-owned subsidiary of the Group, and Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd. ("Shanghai Boer"), a limited liability company established in the PRC and owned as to 51% by Shanghai Electrical Apparatus Research Institute (Group) Company Limited and 49% by Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"). Wuxi Boer was owned as to 80% by Mr. Qian Yixiang, the chairman and chief executive officer, of the Company and 20% by Mr. Qian Zhongming, an executive director of the Company.

Pursuant to the master agreement,

(a) Shanghai Boer has agreed to purchase a range of products, including contactor and mini circuit breaker, from Boer Yixing. The prices of the products supplied by Boer Yixing to Shanghai Boer will be determined with reference to the prevailing market prices of the products at the time of the procurement; and

(b) Boer Yixing has agreed to purchase a range of parts and components, including air circuit breaker and moulded case circuit breaker, from Shanghai Boer. The prices of the parts and components supplied by Shanghai Boer to Boer Yixing will be determined with reference to the prevailing market prices of the parts and components at the time of the procurement.

During the year, the Group purchased parts and components of RMB7,398,000 from Shanghai Boer and sold contactor and mini circuit breaker and other products of RMB3,584,000 to Shanghai Boer under the said master agreement.

The independent non-executive directors have reviewed the continuing connected transactions set out in (ii) above and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditor of the Company has confirmed that the above continuing connected transactions set out in (ii) above:

(i) have received the approval of the board of directors of the Company;

(ii) are in accordance with the pricing policies of the Group where the transactions involved provision of goods or services by the Group;

(iii) have been entered into in accordance with the relevant agreement governing the transactions; and

(iv) have not exceeded the relevant caps disclosed in the prospectus of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Qian Yixiang
Chairman

Hong Kong
23 March 2011

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDERS OF BOER POWER HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Boer Power Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 30 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010 RMB'000**	2009 RMB'000
Turnover	4	**911,059**	490,716
Cost of sales		**(578,790)**	(334,587)
Gross profit		**332,269**	156,129
Other revenue	5	**9,488**	10,994
Selling and distribution expenses		**(31,203)**	(23,719)
Administrative expenses		**(91,982)**	(31,028)
Profit from operations		**218,572**	112,376
Finance costs	6(a)	**(2,783)**	(12,225)
Share of profits of associates		**–**	403
Profit before taxation	6	**215,789**	100,554
Income tax	7(a)	**(28,563)**	(15,331)
Profit for the year		**187,226**	85,223
Other comprehensive income for the year			
Exchange differences on translation of financial statements of operations outside mainland China		**(4,680)**	5
Total comprehensive income for the year		**182,546**	85,228
Profit attributable to:	10		
Equity shareholders of the Company		**180,107**	76,403
Non-controlling interests		**7,119**	8,820
Profit for the year		**187,226**	85,223
Total comprehensive income attributable to:			
Equity shareholders of the Company		**175,427**	76,408
Non-controlling interests		**7,119**	8,820
Total comprehensive income for the year		**182,546**	85,228
Earnings per share	11		
Basic and diluted (RMB cents)		**29.83**	13.58

The notes on pages 36 to 80 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment	12	**47,515**	41,981
Construction in progress	13	**16,828**	–
Intangible assets	14	**162**	24
Lease prepayments	15	**19,809**	20,131
Prepayments for purchase of equipment		**3,358**	–
Deferred tax assets	25(b)	**1,738**	1,110
		89,410	63,246
Current assets			
Inventories	17	**29,037**	34,379
Trade and other receivables	18	**693,243**	213,758
Amounts due from directors	23	**–**	631
Amounts due from related parties	23	**–**	177,628
Pledged deposits	19	**19,640**	94,057
Time deposits with original maturity over three months	20	**658,954**	–
Cash and cash equivalents	20	**268,093**	27,762
		1,668,967	548,215
Current liabilities			
Bank loans	21	**–**	50,000
Trade and other payables	22	**377,327**	323,949
Amounts due to directors	23	**425**	138
Amounts due to related parties	23	**4,228**	25,424
Current taxation	25(a)	**10,040**	6,766
		392,020	406,277
Net current assets		**1,276,947**	141,938
Total assets less current liabilities		**1,366,357**	205,184

	Note	**2010 RMB'000**	2009 RMB'000
Non-current liabilities			
Deferred tax liabilities	25(b)	**–**	1,439
NET ASSETS		**1,366,357**	203,745
CAPITAL AND RESERVES			
Share capital	26(c)	**66,382**	7,511
Reserves	26(d)	**1,299,975**	164,644
Total equity attributable to equity shareholders of the Company		**1,366,357**	172,155
Non-controlling interests		**–**	31,590
TOTAL EQUITY		**1,366,357**	203,745

Approved and authorised for issue by the board of directors on 23 March 2011

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 36 to 80 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000
Non-current assets		
Investment in a subsidiary	16	**7**
Amount due from a subsidiary	23	**1,056,620**
		1,056,627
Current asset		
Cash and cash equivalents	20	**429**
NET ASSETS		**1,057,056**
CAPITAL AND RESERVES	26(a)	
Share capital		**66,382**
Reserves		**990,674**
TOTAL EQUITY		**1,057,056**

Approved and authorised for issue by the board of directors on 23 March 2011

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 36 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		57,511	–	17,996	742	886	98,855	175,990	5,725	181,715
Total comprehensive income for the year		–	–	–	–	5	76,403	76,408	8,820	85,228
Distribution to equity shareholders		–	–	–	–	–	(5,000)	(5,000)	–	(5,000)
Appropriation to statutory reserves	26(d)(ii)	–	–	(3,389)	–	–	3,389	–	–	–
Deemed distribution	27	(50,000)	–	(1,912)	–	–	(23,331)	(75,243)	17,045	(58,198)
Balance at 31 December 2009 and 1 January 2010	26(c)(i)	7,511	–	12,695	742	891	150,316	172,155	31,590	203,745
Capital injection prior to the listing	26(c)(ii)	79	–	–	–	–	–	79	–	79
Share issued upon incorporation/ reorganisation	26(c)(iii)	1	6	–	–	–	–	7	–	7
Reduction in capital upon reorganisation	26(c)(iii)	(90)	–	–	–	–	–	(90)	–	(90)
Capitalisation issue	26(c)(iv)	47,986	(47,986)	–	–	–	–	–	–	–
Profit distribution prior to the listing	26(b)	–	–	–	–	–	(60,962)	(60,962)	(9,702)	(70,664)
Shares issued under placing and public offering, net of issuing expenses	26(c)(v)	18,395	1,048,152	–	–	–	–	1,066,547	–	1,066,547
Acquisition of non-controlling interests in:										
– Boer (Yixing) Power System Co., Ltd. ("Boer Yixing")	26(d)(iii)(a)	–	–	–	2,419	–	–	2,419	(2,418)	1
– Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi")	26(d)(iii)(b)	–	–	–	3,732	–	–	3,732	(17,045)	(13,313)
– Yixing Boai Automation Complete Sets of Equipment Co., Ltd. ("Yixing Boai")	26(d)(iii)(c)	(7,500)	–	–	14,543	–	–	7,043	(9,544)	(2,501)
Total comprehensive income for the year		–	–	–	–	(4,680)	180,107	175,427	7,119	182,546
Balance at 31 December 2010		66,382	1,000,172	12,695	21,436	(3,789)	269,461	1,366,357	–	1,366,357

The notes on pages 36 to 80 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010 RMB'000**	2009 RMB'000
Operating activities			
Cash (used in) / generated from operations	20(b)	**(199,684)**	273,438
Income tax paid		**(27,356)**	(11,200)
Net cash (used in) / generated from operating activities		**(227,040)**	262,238
Investing activities			
Payment for purchase of property, plant and equipment		**(30,095)**	(6,162)
Proceeds from sale of property, plant and equipment		**1,029**	–
Payment for lease prepayments		**(46)**	(13,815)
Payment for purchase of intangible assets		**(177)**	–
Payment for investments in associates		**–**	(5,250)
Net repayments from / (advances to) related parties		**79,059**	(56,559)
Net advances to directors		**(216)**	(2,544)
Loans repaid by other parties		**–**	4,600
Payment for purchases of unlisted securities		**–**	(9)
Payment for purchases of trading securities		**–**	(1,012)
Interest received		**2,885**	2,398
Placement of time deposits with original maturity over three months		**(658,954)**	–
Decrease / (increase) in pledged deposits		**74,417**	(86,158)
Net cash used in investing activities		**(532,098)**	(164,511)
Financing activities			
Proceeds from bank loans		**179,000**	489,500
Repayment of bank loans		**(229,000)**	(527,000)
Profit distributions prior to the listing		**(9,702)**	(5,000)
Proceeds from capital injection prior to the listing		**79**	–
Proceeds from issue of shares, net of expenses directly attributable to the issue of shares	26(a)	**1,066,547**	–
Deemed distribution	27	**–**	(30,224)
Interest paid		**(2,783)**	(12,225)
Net cash generated from / (used in) financing activities		**1,004,141**	(84,949)
Net increase in cash and cash equivalents		**245,003**	12,778
Cash and cash equivalents at 1 January	20(a)	**27,762**	14,979
Effect of foreign exchange rate changes		**(4,672)**	5
Cash and cash equivalents at 31 December	20(a)	**268,093**	27,762

The notes on pages 36 to 80 form part of these financial statements.

1 GENERAL INFORMATION

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

As explained in further details in note 27, the business operations in the design, manufacture and sale of electrical distribution equipment and provision of electrical distribution systems solutions services (collectively, the "Predecessor Operations") that were previously carried out by Wuxi Boer Power Instrumentation Company Ltd.* (無錫博耳電力儀錶有限公司) (the "Predecessor Entity" or "Wuxi Boer"), have been completely assumed by the Group since 31 December 2009. The Predecessor Entity was controlled by Mr. Qian Yixiang and Ms. Jia Lingxia (together referred to as the "Controlling Shareholders") who are husband and wife. Upon the completion of the assumption of the Predecessor Operations, certain assets and liabilities were retained by the Predecessor Entity and was reflected as a deemed distribution to the Controlling Shareholders on 31 December 2009.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on adoption of these accounting policies to the extent that they are relevant to the Group reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

These consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries.

The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

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

(c) 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 consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position 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 consolidated 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

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.

(e) 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 2(i)). 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 2(t)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets represent patent and software and are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' 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.

(g) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(i)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(h) 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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of investments in subsidiaries and other receivables

Investments in subsidiaries and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of investments in subsidiaries and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, 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.

In respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote, 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 receivables and bills receivable 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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; and

– intangible assets.

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 costs 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 the 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 if 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

(j) 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.

(k) 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 2(i)), 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 bad and doubtful debts.

(l) 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 the cost initially recognised 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents 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.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

(r) 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 statement of financial position under receipt in advance under trade and other payables.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

(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 statement of financial position 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 deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) 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 end of the reporting period. 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 mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) 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 the 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 complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

For the purposes of these financial statements, 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 financial 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.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements 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.

3 ADOPTION OF NEW ACCOUNTING POLICY

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 3 (revised 2008), *Business combinations*

– Amendments to HKAS 27, *Consolidated and separate financial statements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The above revised standard, amendment and Interpretation have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group.

4 TURNOVER AND SEGMENT REPORTING

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

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

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

The Group has four separate segments:

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

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

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

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

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

	EDS Solutions RMB'000	iEDS Solutions RMB'000	EE Solutions RMB'000	CSP Business RMB'000	Total RMB'000
Year ended 31 December 2010					
Revenue	**322,630**	**490,781**	**1,552**	**96,096**	**911,059**
Cost of sales	**(210,263)**	**(306,832)**	**(508)**	**(61,187)**	**(578,790)**
Gross profit	**112,367**	**183,949**	**1,044**	**34,909**	**332,269**
Depreciation and amortisation included in cost of sales	**516**	**850**	**–**	**2,502**	**3,868**
Year ended 31 December 2009					
Revenue	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

4 TURNOVER AND SEGMENT REPORTING (Continued)

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

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

The Group has only one customer with whom transactions have exceeded 10% of the Group's aggregate revenues for each of the year ended 31 December 2010 and 2009. The amount of sales to this customer amounted to approximately RMB163,428,000 (2009: RMB67,605,000). Details of concentration of credit risk arising from this customer are set out in note 28(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.

5 OTHER REVENUE

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

6 PROFIT BEFORE TAXATION

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

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

Cost of inventories includes RMB21,045,000 (2009: RMB28,357,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for PRC income tax for the year	**30,630**	15,353
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	**(2,067)**	(22)
	28,563	15,331

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**215,789**	100,554
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	**54,773**	27,157
Tax effect of PRC preferential tax treatments (note (iii))	**(28,110)**	(17,235)
Tax effect of non-deductible expenses	**3,006**	1,665
Tax effect of non-taxable income	**(1,106)**	(111)
Withholding tax on profits of PRC subsidiaries (note (iv) and note 25(b))	**–**	3,855
Actual tax expense	**28,563**	15,331

Notes:

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

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

(iii) PRC income tax

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

	2010	2009
Boer Wuxi (note (a))	**12.5%**	12.5%
Boer Yixing (note (a))	**12.5%**	12.5%
Yixing Boai (note (a))	**12.5%**	0%
Wuxi Boer Power Engineer Co., Ltd.* ("無錫博耳電氣工程服務有限公司 "or" Boer Service")	**25%**	25%

Note:

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

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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

Note: (Continued)

(iv) Withholding tax

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

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

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

8 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

Year ended 31 December 2010

	Fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Qian Yixiang	–	742	7	–	749
Ms. Jia Lingxia	–	656	7	–	663
Mr. Zha Saibin	–	642	7	–	649
Mr. Qian Zhongming	–	206	–	–	206
Independent non-executive directors					
Mr. Yeung Chi Tat	39	–	–	–	39
Mr. Tang Jianrong	26	–	–	–	26
Mr. Zhao Jianfeng	26	–	–	–	26
Total	91	2,246	21	–	2,358

The independent non-executive directors were appointed on 30 September 2010.

8 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2009

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

During the year, no amount was paid or payable by the Company to the directors or any of the 5 highest paid individuals set out in note 9 as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2009: two) individuals are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	**1,273**	322
Contributions to retirement benefit schemes	**78**	13
	1,351	335

The emoluments of the two (2009: two) individuals with the highest emoluments are within the following band:

	2010 Number of individuals	2009 Number of individuals
Nil to HK$1,000,000	**2**	2

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB617 which has been dealt with in the financial statements of the Company.

Details of dividends declared to equity shareholders of the Company are set out in note 26(b).

11 EARNINGS PER SHARE

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

Weighted average number of ordinary shares

	2010	2009
	'000	'000
Effect of issue upon legal establishment (note 26(c)(iii))	**1**	1
Effect of capitalisation upon reorganisation (note 26(c)(iii))	**9**	9
Effect of capitalisation issue (note 26(c)(iv))	**562,490**	562,490
Effect of shares issued upon placing and public offering (note 26(c)(v))	**41,378**	–
Weighted average number of ordinary shares	**603,878**	562,500

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

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2009	25,410	32,168	5,257	1,671	64,506
Additions	296	4,194	945	727	6,162
Deemed distribution (note 27)	(6,432)	(8,274)	(1,985)	(472)	(17,163)
At 31 December 2009	19,274	28,088	4,217	1,926	53,505
At 1 January 2010	19,274	28,088	4,217	1,926	53,505
Additions	1,107	8,070	1,342	1,101	11,620
Disposals	–	(1,871)	(1,374)	(251)	(3,496)
Exchange adjustments	(10)	–	–	(1)	(11)
At 31 December 2010	20,371	34,287	4,185	2,775	61,618
Accumulated depreciation:					
At 1 January 2009	6,496	9,791	3,301	648	20,236
Charge for the year	1,026	3,054	657	229	4,966
Deemed distribution (note 27)	(5,753)	(5,617)	(1,854)	(454)	(13,678)
At 31 December 2009	1,769	7,228	2,104	423	11,524
At 1 January 2010	1,769	7,228	2,104	423	11,524
Charge for the year	1,039	2,872	695	446	5,052
Written back on disposals	–	(1,147)	(1,177)	(146)	(2,470)
Exchange adjustments	(3)	–	–	–	(3)
At 31 December 2010	2,805	8,953	1,622	723	14,103
Net book value:					
At 31 December 2010	17,566	25,334	2,563	2,052	47,515
At 31 December 2009	17,505	20,860	2,113	1,503	41,981

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

13 CONSTRUCTION IN PROGRESS

	The Group RMB'000
At 1 January 2010	–
Additions	16,828
At 31 December 2010	16,828

Construction in progress represented construction cost incurred for new plants under construction of the Group.

14 INTANGIBLE ASSETS

	The Group		
	Patent RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2009	4,800	111	4,911
Deemed distribution (note 27)	(4,800)	–	(4,800)
At 31 December 2009	–	111	111
At 1 January 2010	–	111	111
Additions	–	177	177
At 31 December 2010	–	288	288
Accumulated amortisation:			
At 1 January 2009	1,000	65	1,065
Amortisation for the year	480	22	502
Deemed distribution (note 27)	(1,480)	–	(1,480)
At 31 December 2009	–	87	87
At 1 January 2010	–	87	87
Amortisation for the year	–	39	39
At 31 December 2010	–	126	126
Net book value:			
At 31 December 2010	–	162	162
At 31 December 2009	–	24	24

15 LEASE PREPAYMENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 January	**20,679**	6,864
Additions	**46**	13,815
At 31 December	**20,725**	20,679
Accumulated amortisation:		
At 1 January	**548**	411
Charge for the year	**368**	137
At 31 December	**916**	548
Net book value:		
At 31 December	**19,809**	20,131

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.

16 INVESTMENT IN A SUBSIDIARY

	The Company
	2010
	RMB'000
Unlisted shares, at cost	**7**

16 INVESTMENT IN A SUBSIDIARY (Continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and operation	Particular of issued and fully paid-up capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Cheer Success Holdings Limited ("Cheer Success")	BVI/Hong Kong	US$1,000	100%	–	Investment holding
Power Investment (H.K.) Limited ("Boer Hong Kong")	Hong Kong	HK$100,000	–	100%	Investment holding and provision of management services
Boer Wuxi (note (i))	PRC	US$36,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Boer Yixing (note (i))	PRC	US$16,250,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Yixing Boai (note (i))	PRC	RMB110,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Boer Service (note (ii))	PRC	RMB 5,000,000	–	100%	Provision of energy efficiency solutions

Note:

(i) These entities are wholly foreign owned enterprises established in the PRC with limited liability.

(ii) This entity is a limited liability company established in the PRC.

17 INVENTORIES

	The Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	**20,581**	15,986
Work in progress	**4,641**	15,664
Finished goods	**3,815**	2,729
	29,037	34,379

18 TRADE AND OTHER RECEIVABLES

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

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

(a) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see note 2(i)(i)).

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

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

The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes amongst others, 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.

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Ageing analysis

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

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

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

Receivables that were past due but not impaired relate to a wide range of customers that have a good track record with the Group and/or have good financial strength. Based on experience, 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 considered fully recoverable. The directors consider that this is in line with the industry practice especially for infrastructure investment projects. The directors have considered the projects and background of each overdue debtor and considered that no additional impairment provision is needed.

The Group does not hold any collateral over these balances.

19 PLEDGED DEPOSITS

Bank deposits have been pledged to banks for bills payable (see note 22) and quality guarantee issued to customers.

20 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

(a) Cash and cash equivalents and time deposits comprise:

	The Group		The Company
	2010	2009	**2010**
	RMB'000	RMB'000	**RMB'000**
Time deposits with original maturity within three months	**129,480**	–	**–**
Cash at bank and in hand	**138,613**	27,762	**429**
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	**268,093**	27,762	**429**
Time deposits with original maturity over three months	**658,954**	–	**–**
	927,047	27,762	**429**

At 31 December 2010, the balances that were placed with banks in the PRC amounted to RMB924,733,000 (2009: RMB26,702,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	**2010** RMB'000	2009 RMB'000
Profit before taxation		**215,789**	100,554
Adjustments for:			
– Depreciation	6(c)	**5,052**	4,966
– Amortisation of lease prepayments	6(c)	**368**	137
– Amortisation of intangible assets	6(c)	**39**	502
– Finance costs	6(a)	**2,783**	12,225
– Interest income	5	**(8,251)**	(9,162)
– Net gain on disposal of property, plant and equipment		**(3)**	–
– Gain on early settlement of other loans	5	**–**	(1,011)
– Share of profits of associates		**–**	(403)
– Impairment losses for trade receivables	6(c)	**106**	1,641
– Impairment losses for other receivables written back	6(c)	**(40)**	–
Changes in working capital:			
– Decrease / (increase) in inventories		**5,342**	(24,790)
– Increase in trade and other receivables		**(474,185)**	(17,138)
– Net increase in amounts due to / (from) related parties		**1,229**	(9,681)
– Net increase in amounts due to directors		**420**	–
– Increase in trade and other payables		**51,667**	215,598
Cash (used in) / generated from operations		**(199,684)**	273,438

20 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (Continued)

(c) Non-cash transaction

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

21 BANK LOANS

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

22 TRADE AND OTHER PAYABLES

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

Bills payable as at 31 December 2010 and 2009 were secured by pledged bank deposits (see note 19).

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 payables and bills payable is as follows:

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

23 AMOUNTS DUE FROM / TO A SUBSIDIARY, DIRECTORS AND RELATED PARTIES

These amounts 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 RMB78,117,000 as at 31 December 2009, which carried an interest of 5.55% per annum for the year ended 31 December 2009.

24 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in a defined contribution retirement benefit scheme (the "scheme") organised by the PRC municipal government authority in the Jiangsu province whereby these PRC subsidiaries are required to make a contribution at the rates from 17% to 20% of the eligible employees' salaries to the Scheme. The Group has accrued for the required contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employees covered under the Scheme.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

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

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2010	2009
	RMB'000	RMB'000
Provision for PRC income tax	**10,040**	6,766

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Provision for impairment of trade receivables**	**Unrealised profits of intragroup sales**	**Other financial assets**	**Unremitted profits of PRC subsidiaries**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	1,362	3	1,876	(1,882)	–	1,359
(Charged) / credited to profit or loss (note 7(a))	410	(3)	(828)	443*	–	22
Deemed distribution (note 27)	(662)	–	(1,048)	–	–	(1,710)
At 31 December 2009	1,110	–	–	(1,439)	–	(329)
At 1 January 2010	1,110	–	–	(1,439)	–	(329)
Credited to profit or loss (note 7(a))	27	62	–	1,439	539	2,067
At 31 December 2010	1,137	62	–	–	539	1,738

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

	2010	2009
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	**1,738**	1,110
Net deferred tax liabilities	**–**	(1,439)
	1,738	(329)

(c) Deferred tax liabilities not recognised

Effective from 1 January 2008, the Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008. As at 31 December 2010, deferred tax liabilities of RMB9,818,000 (2009: Nil) in respect of temporary differences relating to such undistributed profits of RMB196,359,000 (2009: Nil) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax liabilities not recognised (Continued)

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2010 and 2009.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the date of incorporation and the end of the year are set out below:

The Company

	Note	Share capital	Share premium (Note 26(d)(i))	Exchange reserve (Note 26(d)(iv))	Accumulated loss	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 12 February 2010 (date of incorporation)		–	–	–	–	–
Shares issued for reorganisation	26(c)(iii)	1	6	–	–	7
Capitalisation issue	26(c)(iv)	47,986	(47,986)	–	–	–
Shares issued under placing and public offering, net of issuing expenses	26(c)(v)	18,395	1,048,152	–	–	1,066,547
Total comprehensive income for the year		–	–	(9,497)	(1)	(9,498)
At 31 December 2010		66,382	1,000,172	(9,497)	(1)	1,057,056

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

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

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

During the year ended 31 December 2010 and before the Listing,

(i) Boer Hong Kong declared a dividend of HK$69,689,000 (equivalent to RMB60,962,000) to its shareholders. The dividend payable was set off against receivables from Wuxi Boer and Mr. Jia Minghao in accordance with the agreements between the parties; and

(ii) Yixing Boai, a subsidiary of the Group declared and paid a dividend of RMB9,702,000 to its non-controlling shareholder.

(c) Share capital

(i) Since the reorganisation was not completed as at 31 December 2009, the share capital as at 31 December 2009 amounted to RMB7,511,000 that represented the aggregate amount of paid-in capital of the companies now comprising the Group after elimination of investments in subsidiaries.

On 12 February 2010, the Company was incorporated with an authorised share capital of HK$390,000 divided into 3,900,000 shares of HK$0.10 each. 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 additional 1,996,100,000 shares of HK$0.10 each.

Movements of the authorised and issued share capital of the Company are as follows:

	Par value HK$	**Number of shares** '000	**Nominal value of ordinary shares** HK$'000
Authorised:			
At incorporation on 12 February 2010	**0.10**	**3,900**	**390**
Increase in share capital on 30 September 2010	**0.10**	**1,996,100**	**199,610**
At 31 December 2010	**0.10**	**2,000,000**	**200,000**

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

(i) (Continued)

	Note	Par value	Number of shares	Nominal value of ordinary shares	
		HK$	'000	HK$'000	RMB'000
Issued and fully paid:					
At 12 February 2010	(c)(iii)	**0.10**	**1**	**–**	**–**
Issue of shares for reorganisation	(c)(iii)	**0.10**	**9**	**1**	**1**
Capitalisation issue	(c)(iv)	**0.10**	**562,490**	**56,249**	**47,986**
Issue of shares under placing and public offering	(c)(v)	**0.10**	**215,625**	**21,563**	**18,395**
At 31 December 2010		**0.10**	**778,125**	**77,813**	**66,382**

(ii) Capital injection prior to the Listing

On 29 January 2010, the authorised and issued share capital of Boer Hong Kong was increased from HK$10,000 comprising 10,000 shares to HK$100,000 comprising 100,000 shares. The increase is equivalent to approximately RMB79,000.

On 29 January 2010 and 31 January 2010, Cheer Success acquired the entire issued share capital of Boer Hong Kong of HK$100,000 by subscribing 90,000 new shares of HK$1.00 each at a subscription price of HK$90,000 (equivalent to RMB79,000) and acquiring the remaining 10,000 shares held by the then existing shareholders.

(iii) Shares issued upon incorporation/reorganisation

On 30 September 2010, the Company allotted and issued 9,000 ordinary shares credited as fully paid with par value of HK$0.10 each as a consideration to purchase the entire issued share capital of Cheer Success at a consideration of US$1,000 (approximately equivalent of RMB7,000) from the then common shareholders of the Group by entering into a share swap agreement. As a result, the issued share capital of Boer Hong Kong of HK$100,000 (equivalent to RMB90,000) was deducted from the share capital.

(iv) Capitalisation issue

Pursuant to the written resolutions on 30 September 2010, the Company allotted and issued 562,490,000 shares of HK$0.10 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's public offering and pursuant to this resolution, a sum of HK$56,249,000 (equivalent to RMB47,986,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

(v) Issue of shares under placing and public offering

On 20 October 2010, the Company issued 187,500,000 shares of HK$0.10 each, at a price of HK$6.38 per share by way of placing and public offering to Hong Kong and overseas investors. On 4 November 2010, the Company also issued 28,125,000 shares of HK$0.10 each at a price of HK$6.38 per share upon the exercise of the over-allotment option in connection of the initial public offering. Net proceeds from such issues amounted to HK$1,251,242,000, equivalent to RMB1,066,547,000, (after offsetting expenses directly attributable to the issue of shares of RMB107,052,000), out of which RMB18,395,000 and RMB1,048,152,000 were recorded in share capital and share premium respectively.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory surplus reserve can be used to make good prior years' losses, if any, and may be converted into capital 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 profit distribution to the then equity holders, out of which RMB3,389,000 were paid out of the statutory reserve, after reversal of appropriation of such reserve.

(iii) Capital reserve

The capital reserves in the consolidated statement of financial position as at 1 January 2009 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 or excess on transfer of equity from non-controlling interests over purchase consideration on subsequent purchases from non-controlling interests of Yixing Boai accounted for in equity under capital reserve.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Capital reserve (Continued)

Additions in the year ended 31 December 2010 represented:

(a) Acquisition of non-controlling interests in Boer Yixing before the reorganisation and the Listing

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. As a result of this transaction, Boer Yixing became 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.

(b) Acquisition of non-controlling interests in Boer Wuxi before the reorganisation and the Listing

On 12 January 2010, Boer Hong Kong acquired 15% equity interest in Boer Wuxi from the Wuxi Boer 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.

(c) Acquisition of non-controlling interests Yixing Boai before the reorganisation and the Listing

On 22 October 2010, Mr. Jia Minghao transferred the legal title of 75% equity interest in Yixing Boai to Boer Hong Kong at a cost of US$100. Mr. Jia Minghao has previously held such equity interests on trust for Boer Hong Kong. As such transfer did not result in change in control, the issued capital of RMB7,500,000 of Yixing Boai (that comprised the share capital of the Group before such transaction) was deducted from share capital with a corresponding credit to capital reserves for the excess of share capital transferred over the cost of transfer.

On 29 October 2010, Boer Hong Kong acquired the remaining 25% equity interests in Yixing Boai from Wuxi Weiqi Trading Co., Ltd.* ("無錫為琪貿易有限公司" or "Wuxi Weiqi") at a consideration of RMB2,500,000. The excess on transfer of equity from non-controlling interests over purchase consideration of the remaining 25% equity interest of Yixing Boai amounted to RMB7,044,000 was credited to capital reserve. Following this acquisition, Yixing Boai became a wholly-owned subsidiary of the Group.

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

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 2(s).

(e) Distributability of reserve

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,173,436,000 (2009: Nil). After the end of the reporting period the directors proposed a final dividend amounting to RMB46,688,000 (note 26(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The Group's 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 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 and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 DEEMED DISTRIBUTION IN CONNECTION WITH THE REORGANISATION

Wuxi Boer, incorporated in the PRC on 18 October 1988, was controlled by the Controlling Shareholders. As part of the restructuring of 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.

27 DEEMED DISTRIBUTION IN CONNECTION WITH THE REORGANISATION (Continued)

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 Controlling Shareholders on 31 December 2009:

	Note	RMB'000
Assets		
Property, plant and equipment	12	3,485
Intangible assets	14	3,320
Interest in a subsidiary		9
Equity interest in Boer Wuxi (note)		15,133
Interest in associates		7,768
Other financial assets		15,372
Trading securities		1,012
Deferred tax assets	25(b)	1,710
Trade and other receivables		26,295
Amounts due from directors		3,216
Amounts due from related parties		213,334
Amounts due from the Group		21,057
Pledged deposits		31,589
Cash and cash equivalents		30,224
		373,524
Liabilities		
Bank loans		57,500
Trade and other payables		90,029
Amounts due to the Group		151,258
Current taxation		1,406
		300,193
Net assets		73,331

Note: Upon the deemed distribution of certain assets and liabilities previously associated with the Predecessor Operations on 31 December 2009, the 15% equity interest held by the Predecessor Entity was presented in the consolidated statement of financial position as at 31 December 2009 as a non-controlling interest. The non-controlling interest is equivalent to 15% net assets value of Boer Wuxi attributable to the Predecessor Entity.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and 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 bank deposits.

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. Approximately 18% (2009: 14%) of the Group's revenue is attributable to sales transactions with a single customer for the year ended 31 December 2010. The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes amongst other 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 its customers to settle due balances and monitors the settlement progress on an ongoing basis.

At the end of the reporting period, the Group has a certain concentration of credit risk as 20% and 37% (2009: 8% and 30%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2010.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group mitigates its exposure to credit risk arising from bank deposits by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of these banks, management does not expect any counterparty to fail to meet its obligations.

(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 of directors 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 cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(b) Liquidity risk (Continued)

The following table presents the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates and the earliest date the Group can be required to pay:

The Group

	2010			2009		
	Carrying amount at 31 Dec RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	Carrying amount at 31 Dec RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Bank loans	**–**	**–**	**–**	50,000	50,999	50,999
Trade and other payables	**377,327**	**377,327**	**377,327**	323,949	323,949	323,949
Amounts due to directors	**425**	**425**	**425**	138	138	138
Amounts due to related parties	**4,228**	**4,228**	**4,228**	25,424	25,424	25,424
	381,980	**381,980**	**381,980**	399,511	400,510	400,510

(c) Interest rate risk

The Group does not have significant exposure to interest rate risk as it does not expect interest rate fluctuation would have significant impact to the fair value or cash flows of its cash and bank deposits held as at 31 December 2010. The Group has no bank borrowings as at 31 December 2010.

(d) 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 year and the impact of foreign currency risk on the Group's total sales is minimal.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

29 CONCENTRATION OF SUPPLIERS

The Group has a certain concentration of suppliers as 43% (2009: 33%) of the total raw materials were purchased from a single suppliers for the year ended 31 December 2010. 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 licence as an authorised system integrator, the Group may lose a significant portion of its business.

30 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

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

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, the directors are of the view that the below parties are related parties of the Group:

Name of party	**Relationship**
Mr. Qian Yixiang	Controlling shareholder and director
Ms. Jia Lingxia	Controlling shareholder and director
Mr. Qian Zhongming	Director
Mr. Tao Qi	Brother in law of Mr. Qian Yixiang
Mr. Jia Minghao	Relative of Ms. Jia Lingxia
Shanghai Electrical Apparatus Research Institute Switch Apparatus Co. Ltd.* ("上海電科博耳電器開關有限公司")	Associate company to Wuxi Boer
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")	Effectively 51% owned by Mr. Qian Yixiang
Wuxi Boer (or Predecessor Entity)	Effectively 80% and 20% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively.
Wuxi Weiqi	Effectively 90% and 10% owned by Mr. Qian Yiying (the daughter of Mr. Qian Zhongming, sister of Mr. Qian Yixiang and sister-in-law of Ms. Jia Lingxia) and Mr. Tao Qi respectively

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

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

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

	2010 RMB'000	2009 RMB'000
Short-term advances to / (from) related parties of the Group		
– Mr. Qian Yixiang	**–**	(1,019)
– Ms. Jia Lingxia	**–**	3,563
– Mr. Qian Zhongming	**–**	(540)
– Mr. Tao Qi	**–**	(173)
– Mr. Jia Minghao	**–**	1,266
– Shanghai Shuanghuan	**–**	17,826
– Shanghai Changcheng	**–**	38,178
– Shanghai Boer	**–**	(500)
– Shanghai High-Speed Rail	**–**	10
	–	58,611
Interest income received from Shanghai Shuanghuan	**–**	4,110

All the above transactions have been settled before the Listing. There was no non-trade related transactions occurred subsequent to the Listing.

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

	2010 RMB'000	2009 RMB'000
Sales of EDS Solutions		
– Shanghai Changcheng	**–**	29,642
Sales of CSP Business		
– Shanghai Boer	**3,584**	–
Purchases of raw materials		
– Shanghai Boer	**7,398**	4,715
Rental expenses		
– Wuxi Boer	**847**	–

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

As at the end of each of the reporting period, the Group had the following balances with related parties:

(i) Amounts due from related parties

	2010 RMB'000	2009 RMB'000
Trade-related		
– Shanghai Changcheng	**–**	10,146
Non-trade related		
– Mr. Qian Yixiang	**–**	60
– Ms. Jia Lingxia	**–**	571
– Mr. Tao Qi	**–**	40
– Mr. Jia Minghao	**–**	9,181
– Shanghai Shuanghuan	**–**	5,531
– Shanghai Boer	**–**	762
– Shanghai High-Speed Rail	**–**	710
– Wuxi Boer	**–**	151,258
	–	178,259

All of the balances outstanding at 31 December 2009 have been settled before the Listing.

(ii) Amounts due to related parties

	2010 RMB'000	2009 RMB'000
Trade related		
– Shanghai Boer	**1,727**	498
Non-trade related		
– Mr. Qian Yixiang	**150**	69
– Ms. Jia Lingxia	**104**	69
– Mr. Qian Zhongming	**141**	2,000
– Mr. Zha Saibin	**30**	–
– Mr. Jia Minghao	**1**	–
– Shanghai Shuanghuan	**–**	1,107
– Shanghai Boer	**–**	762
– Wuxi Boer	**–**	21,057
– Wuxi Weiqi (note 31(c))	**2,500**	–
	4,653	25,562

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties (Continued)

Except for an amount due from Shanghai Shuanghuan in 2009 (note 31(a)), the amounts due from / to related parties as at 31 December 2010 and 2009 were 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 2009.

As at 31 December 2009, guarantees were given by Mr. Qian Yixiang and Wuxi Boer 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 Wuxi Boer for its bank loans of RMB46,500,000 for no consideration. These guarantees have been released before the Listing.

(c) Acquisition of 25% equity interest in Yixing Boai

On 29 October 2010, Wuxi Weiqi entered into an equity transfer agreement with Boer Hong Kong, a subsidiary of the Group, to transfer 25% equity interest in Yixing Boai to Boer Hong Kong at a consideration of RMB2,500,000. Upon completion of the transfer, Yixing Boai was converted into a wholly foreign owned enterprise established and registered under the laws of the PRC and wholly owned by Boer Hong Kong.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2010 **RMB'000**	2009 RMB'000
Short-term employee benefits	**5,188**	1,328
Contributions to defined contribution retirement benefit schemes	**132**	71
	5,320	1,399

Total remuneration is included in "staff costs" (see note 6(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 24.

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

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2010, the directors consider the immediate parent and ultimate controlling party of the Group to be King Able Limited, incorporated in the BVI, and the Controlling Shareholders respectively. King Able Limited does not produce financial statements available for public use.

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 statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(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 the end of each reporting period.

(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 the end of each reporting period.

(Expressed in Renminbi unless otherwise indicated)

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial position:

		Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010		1 July 2010 or 1 January 2011
Revised HKFRS 24	*Related party disclosures*	1 January 2011
Consequential amendments to HKFRS 8	*Operating Segments*	1 January 2011
Amendments to HKAS 12	*Income taxes*	1 January 2012
HKFRS 9	*Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.