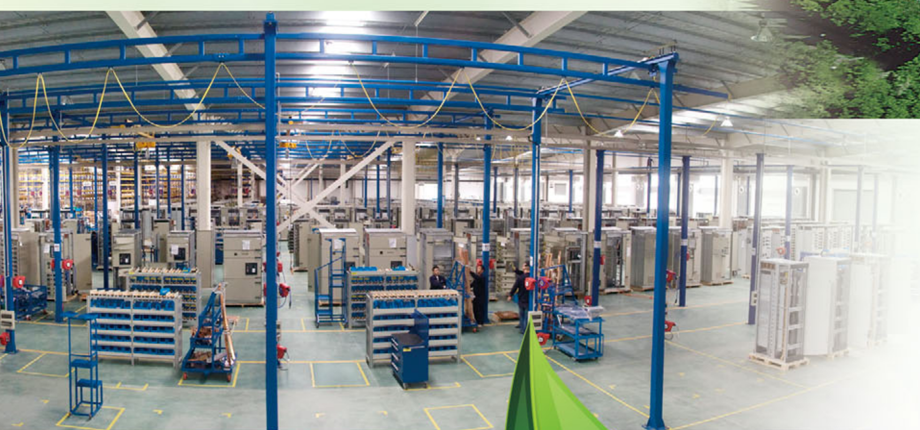
BOER POWER HOLDINGS LIMITED
博耳電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1685



ANNUAL REPORT
2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive director
Mr. Zhang Huaqiao

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
Mr. Zhang Huaqiao

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

KPMG

LEGAL ADVISER

Stephenson Harwood

COMPLIANCE ADVISER

CCB International Capital Limited

INVESTOR AND MEDIA RELATIONS CONSULTANT

Ketchum Newscan Public Relations Ltd.

REGISTERED OFFICE

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KY1-1108
Cayman Islands

HEADQUARTERS AND HEAD OFFICE IN THE PRC

Luoyang Road
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Huishan District
Wuxi City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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Wanchai
Hong Kong

COMPANY'S WEBSITE

www.boerpower.com

FINANCIAL SUMMARY

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover and Profit					
Turnover	**1,014,589**	911,059	490,716	405,514	357,274
Profit before taxation	**295,254**	215,789	100,554	66,151	41,594
Income tax	**(42,276)**	(28,563)	(15,331)	(12,800)	(1,588)
Profit for the year	**252,978**	187,226	85,223	53,351	40,006
Profit attributable to:					
Equity shareholders of the Company	**252,978**	180,107	76,403	51,557	39,343
Non-controlling interests	**–**	7,119	8,820	1,794	663
Dividends-proposed final	**62,836**	46,688	–	–	–
Assets and Liabilities					
Non-current assets	**269,376**	89,410	63,246	76,232	51,259
Current assets	**1,770,485**	1,668,967	548,215	464,465	454,094
Current liabilities	**(521,049)**	(392,020)	(406,277)	(357,100)	(376,551)
Non-current liabilities	**(6,475)**	–	(1,439)	(1,882)	–
Net assets	**1,512,337**	1,366,357	203,745	181,715	128,802
Equity attributable to:					
Equity shareholders of the Company	**1,512,337**	1,366,357	172,155	175,990	124,871
Non-controlling interests	**–**	–	31,590	5,725	3,931

The figures for the three financial years ended 31 December 2007, 2008 and 2009 respectively are 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 "Shareholders") the annual results of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

Boer Power achieved its rapid growth in 2011, proving that the strategic adjustment was highly effective. During the first half of 2011, the Group upgraded its traditional technological know-how Electrical Distribution System Solutions ("EDS Solutions") to highly efficient and valued Intelligent Electrical Distribution System Solutions ("iEDS Solutions"). In addition, since we had enhanced our marketing and promoting efforts for the iEDS Solutions, Energy Efficiency Solutions ("EE Solutions") as well as Components and Spare Parts Business ("CSP Business"), the competitive edges of the Group's business segments were rapidly strengthened with a boosted growth momentum for business development. Accordingly, we achieved excellent operating results.

Efficient utilisation of electricity and energy conservation and environmental protection are the global market trends. We have successfully launched two new intelligent products of XGreen and BV12 to the market, which have further enhanced the Group's capability in EE Solutions. With the ongoing collaboration with McDonald's, our EE Solutions management was extended from some provinces and cities to national-wide operations in the PRC. In addition, we provided EE Solutions for large data centers such as China Mobile and Baidu, etc. With our intelligent power distribution monitoring technology, the highly efficient energy conservation could be realised up to a level of about 30%, which is conducive to attaining efficiency, environmental protection and stability of the power system for end-users.

We continue to sustain long-term and stable relationship with our loyal customers such as China Mobile, Carrefour, Sinoma and others with the ongoing and further expansion projects; meanwhile, we actively explore new customer groups. We have extended our services to 18 provinces and cities within the coverage by China Mobile, and we are currently making preparations to move on to serving all the provinces and cities covered by China Mobile in the PRC. Last year, we commenced to work with Baidu, GDS, Budweiser and other new high-end customers in exploring new areas of industry, and all the related projects are currently making good progress orderly. At the same time, the Group's iEDS Solutions has transformed from the highly competitive high-speed rail to the highly-capitalised metro industry, and the Group has secured a metro project in Wuxi, which will bring further impetus for our continuing business growth in the future.

Apart from the business realignment programs, we have also strengthened our promotion and marketing strategies. We held exhibitions in a number of cities in the PRC since the second half year, and planned to hold them in more than 100 cities in the PRC within two years, mainly for promoting our iEDS Solutions, EE Solutions and upstream components, and vigorously expanding the sales channels in southern China.

In addition to the organic growth, Boer Power made a breakthrough in mergers and acquisitions in 2011. With the successful acquisition of Wuxi Tezhong Electrical Capacitor Co., Ltd., our upstream component production capabilities have been significantly enhanced, resulting in diversified sources of profit and increased profitability of the Group. In addition, our newly built plant in Wuxi has been put into operation for production and research and development of products, expanding the production capacity. We will continue to actively identify opportunities of domestic/overseas mergers and acquisitions, vigorously expand the Group's business network and professional technological know-how and improve the service quality and competitive advantages, so as to lay a solid foundation for sustainable development of the Group.

Lastly, on behalf of Boer Power, I would like to express our gratitude to our staff for their contribution, to our customers and business partners for their support, and to all the investors and shareholders for their trust and support. We will respond to various challenges with an enhanced professionalism and more comprehensive management. With the external favourable conditions and opportunities provided by the national "12th Five-Year Plan" supporting smart grids, we are full of confidence in the long-term development of the Group, and will pursue our commitment to create greater value for our Shareholders!

Qian Yixiang
Chairman

27 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2011, the European debt crisis and US debt problem led to extreme instability of the global economy. Despite this, China reported an encouraging performance in its overall economy and became one of the leaders for global economic growth. In 2011, the gross domestic product of the PRC reached RMB47.2 trillion, representing an increase of 9.2% as compared to 2010. The fixed asset investment in China increased by 23.6% and reached RMB31.1 trillion during the year. The increase in fixed asset investment nationwide continued to drive the demand for electricity.

With the strong economy and increased social activities, China remains one of the largest electricity consumption countries in the globe. The total electricity consumption of China amounted to over 4.69 trillion kWh, representing an increase of 11.7% as compared to 2010, of which the national industrial electricity consumption reached 3.46 trillion kWh. The growth in electricity consumption continued to strongly support the development of the power transmission and electrical distribution market.

BUSINESS REVIEW

During the year, the Group made decisive moves to realign the Group's business and marketing efforts to focus on the business segments with higher gross profit margin and to reflect the Group's business development strategies to avoid competing in low technological requirement business segment and capture the growing market demand for intelligent electrical distribution systems with higher energy efficiency. The strategic move to reduce the business and marketing efforts in the EDS Solutions business segment was taken as EDS Solutions projects that were put out for tender were fiercely contested and had resulted in substantial fall in profit margins for the winning bidders. In order to avoid taking on non/marginally profitable projects, and avoid competing in a low technological requirement segment where historically has been a highly competitive business segment, the Group took it as an opportunity for it to accelerate the strategies as laid out during its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and put the focus and efforts on developing iEDS Solutions, EE Solutions and CSP Business and capture overall market trend and the strong growing market demand in these business segments.

During the first half of the year, the Group acquired the entire equity interest in Wuxi Tezhong Electrical Capacitor Co., Ltd. ("Wuxi Tezhong") (the "Acquisition"), which is engaged in the manufacture and sale of capacitors, one of the common components used in electrical distribution systems. The Acquisition kicked off the merger and acquisition strategy of the Group and allowed the Group to expand its upstream component production capability. The Acquisition not only contributed to the Group's CSP Business but also served as a solid launch pad for the Group's future development of the iEDS Solutions and EE Solutions business segments. With the ongoing rationalisation of our one-stop service, we have also begun putting more effort and resources in research and development to ensure that our products and services will be able to fully utilise the production infrastructure that we are putting into place.

The Group achieved significant growth during the year. The total turnover of the Group amounted to RMB1,014,589,000 for the year ended 31 December 2011, representing an increase of 11.4% as compared to that of 2010. The increase in turnover was mainly 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 RMB252,978,000 for the year ended 31 December 2011, representing an increase of 40.5% as compared to that of 2010. Excluding non-operational contributions from "Other revenue" and "Gain on acquisition of a subsidiary", the profit from operations of the Group amounted to RMB232,734,000 for year ended 31 December 2011, representing an increase of 11.3% as compared to that of 2010. The increase in profit from operations of the Group was mainly due to the substantial increase in contribution from the iEDS Solutions, EE Solutions and CSP Business segments.

As at 31 December 2011, the total assets of the Group were RMB2,039,861,000 (2010: RMB1,758,377,000) while the total liabilities were RMB527,524,000 (2010: RMB392,020,000) and the total equity of the Group amounted to RMB1,512,337,000 (2010: RMB1,366,357,000).

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").

Other than EDS Solutions, all the other three business segments recorded sound 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 2011 amounted to RMB18,118,000 (2010: RMB322,630,000), representing 1.8% (2010: 35.4%) of the Group's total turnover for the year. The substantial decrease in the sales of EDS Solutions of 94.4% was principally a result of the realignment of the business strategies of the Group to focus more on the higher gross profit margin and higher technological know-how business segments of the Group. Competition in the EDS Solutions business segment increased in intensity during 2011 due to fewer large EDS Solutions projects coming to market, which caused price competition amongst competitors in a bid to secure new projects. The reportable gross profit of this business segment was RMB5,109,000 (2010: RMB112,367,000), representing a decrease of 95.5% as compared to that of 2010.

Despite our efforts to attempt to maintain our gross margin requirements in bidding for new projects in the EDS Solutions business segment, the gross profit margin of the EDS Solutions business segment still decreased from 34.8% for 2010 to 28.2% for the year due to deterioration in margins for EDS Solutions projects.

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 2011 was RMB745,132,000 (2010: RMB490,781,000), which accounted for approximately 73.4% (2010: 53.9%) of the Group's total turnover during the year. The substantial increase in the sales of iEDS Solutions of 51.8% for the year ended 31 December 2011 was mainly attributable to the increased marketing efforts the Group has put into securing new projects in this business segment and the increased market demand in intelligent power transmission and electricity distribution solutions and related products amid the overall demand for efficient use of electricity in the PRC. The reportable gross profit of this business segment was RMB280,562,000 (2010: RMB183,949,000), representing an increase of 52.5% as compared to that of 2010.

The gross profit margin of iEDS Solutions segment increased marginally from 37.5% for 2010 to 37.7% 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 and provide equipment and systems to improve the energy efficiency of our customers' electrical distribution systems. Our EE Solutions services include the provision and maintenance of equipment and a number of other value-added services.

The total sales of EE Solutions of the Group for the year ended 31 December 2011 was RMB65,894,000 (2010: RMB1,552,000), which accounted for approximately 6.5% (2010: 0.2%) of the Group's total turnover for the year. The substantial increase in the sales of EE Solutions was a result of our increased marketing efforts in this business segment and also increasing demand from the customers to upgrade their electrical distribution system to increase electricity usage efficiency and reduce cost. The reportable gross profit of this business segment was RMB32,285,000 (2010: RMB1,044,000), representing an increase of thirty times as compared to that of 2010.

The gross profit margin of EE Solutions segment decreased from 67.3% for 2010 to 49.0% for the year as we have since extended our EE Solutions services from just providing technical evaluation and consultancy and maintenance services during the year 2010 to include the provision of equipment as well that is ancillary to EE Solutions services. The provision of equipment in EE Solutions decreases the overall gross profit margin of the business segment.

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 CSP Business of the Group for the year ended 31 December 2011 were RMB185,445,000 (2010: RMB96,096,000), which accounted for approximately 18.3% (2010: 10.5%) of the Group's total turnover during the year. The substantial increase in the sales of CSP Business of 93.0% was mainly a result of our effort in expanding our components manufacturing capability and business. The segment gross profit of this business segment was RMB58,105,000 (2010: RMB34,909,000), representing an increase of 66.4% as compared to that of 2010.

The gross profit margin of CSP Business segment decreased from 36.3% for 2010 to 31.3% for the year due to the integration of Wuxi Tezhong into the Group, whose products have a lower gross profit margin than the rest of our CSP Business.

PROSPECT

As the economy of China continues to grow rapidly, demand for electricity will continue to increase. In March 2012, the State Grid Corporation of China forecast that the average annual growth of electricity consumption during the "12th Five-Year Plan" period will stay at about 7.5% to 9.5%, and by 2015, the total electricity consumption in China will amount to 6.02 to 6.61 trillion kwh. With the acceleration in speed of urban and rural developments, construction projects of new power networks in power black spots will increase. In tandem with the rapid growth in the economy of China, usage of electricity in urban areas will also continue to increase. All of the above will bring major growth opportunities throughout the value chain for the power industry of China.

In recent years, China has placed increasing emphasis on the issues of environmental protection and energy conservation. As outlined in the announced "12th Five-Year Plan", energy saving and emission reduction are key elements of the national policy. The government will focus on the development of new energy industry led by development of the smart grid, so as to achieve the establishment of a basic robust smart grid by 2015. We believe that the favourable policies in China will increasingly drive the market demand for intelligent power transmission and distribution systems and products.

Following consolidation in the industry during the past few years, and the increasing number of energy efficient products in the market, we believe that the development of high-end market is becoming a global trend. As a result, we realigned our business during the first half of 2011 to focus on and increase marketing efforts in the development of iEDS Solutions, EE Solutions and high-end CSP Business. The results of our efforts have significantly been reflected in our results for the second half of 2011. Going forward, we will continue with the above development plans, and focus on increasing our market share in the high-end market.

We will achieve economies of scale by actively improving the overall competitive advantages of energy saving system, coupled with the commencement of operation of the new production plant. We will invest more resources in technology research and product development, particularly in EE Solutions.

We will continue to optimise and secure high-end customers, and develop new industries and product application categories, such as the energy saving application in metros and commercial buildings. We will also strengthen the cooperation with existing customers, including assisting McDonald's to expand nationwide the energy efficiency management system, to continue to expand the coverage areas of China Mobile's service and provide more energy efficient products, with the goal of achieving a nationwide coverage as early as possible.

The marketing of our products will be the focus of our future development strategy. We will continue to strengthen our marketing and promotion strategies, leveraging on downstream sales channels to broaden the sales channels and increase the points of sales, and recruit more salespersons. We have set the goal of holding exhibitions in more than 100 cities in China in two years, so as to attract new customers and explore new business opportunities.

Last year, we established new business development strategy to better capture market opportunity. Looking forward, we will intensify the development of high-end market. To expand the business network, we will increase the technology research projects and identify potential acquisition opportunities, so as to expand the foundation of development. We will endeavour to take advantage of the favourable opportunities offered by the rapid development of the domestic power industry, and consolidate our leading position in the industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, available-for-sale investment, trade and other receivables, trade and other payables and bank loans. As at 31 December 2011, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB653 million (31 December 2010: RMB268 million), RMB1,249 million (31 December 2010: RMB1,277 million) and RMB1,519 million (31 December 2010: RMB1,366 million), respectively. As at 31 December 2011, the Group has bank loans amounting to RMB38 million (2010: Nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Company's indirect wholly-owned subsidiary, Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi") entered into Equity Interest Transfer Agreement with the vendor, pursuant to which Boer Wuxi acquired the 100% equity interest in Wuxi Tezhong, a company established in the PRC at a consideration of RMB62,000,000.

EMPLOYEES AND REMUNERATION POLICY

The Group had over 1,199 (2010: 961) employees as at 31 December 2011. The total staff costs for the year under review were approximately RMB58 million (2010: RMB46 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 was listed on the Main Board of the Stock Exchange with a total of 215,625,000 offer shares (including shares issued as a result of the exercise of the overallotment option) issued. The net proceeds raised from the global offering were approximately HK$1,251 million (equivalent to approximately RMB1,014 million).

As at 31 December 2011, approximately RMB154 million, RMB16 million, RMB68 million, RMB2 million, RMB11 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, purchasing of equipment and software in providing more efficient EE Solutions and funding our working capital and other general corporate purposes, respectively. The unused balance of the proceeds of RMB657 million are placed with reputable banks as the Group's available-for-sale investments and cash and cash equivalents.

It was stated in the section headed "Future Plans and Use of Proceeds" in the listing prospectus of the Company dated 7 October 2010 (the "Prospectus") 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 RMB16 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 RMB16 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 38, is the chairman of our Board and the chief executive officer of our Company. Mr. Qian was appointed a director of our Board on 12 February 2010 and was appointed as a member of our Company's remuneration committee and nomination committee on 30 September 2010. Mr. Qian is also the director of Cheer Success Holdings Limited, Power Investment (H.K.) Limited, Boer (Wuxi) Power System Co., Ltd., Boer (Yixing) Power System Co., Ltd., Yixing Boai Automation Complete Sets of Equipment Co., Ltd., Wuxi Tezhong Electrical Capacitor Co., Ltd., Boer Electric Sales (China) Co., Ltd., Sydenham (Wuxi) Switch Co., Ltd., Sydenham International Group Corporation, Palace Glory International Limited, Profit Sea Holdings Limited, Boer Technology (H.K.) Limited, Boer (Wuxi) Software Technology Limited and Boer Power System (Jiangsu) Co., Ltd., which are wholly-owned subsidiaries of the Company. Mr. Qian is primarily responsible for the overall management and strategic development of the Group. Mr. Qian 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 has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian graduated from Jiangnan University with a diploma in Business Management in 1995. Mr. Qian is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

JIA Lingxia

JIA Lingxia, aged 38, 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 and was appointed as a member of our Company's remuneration committee and nomination committee on 30 September 2010. Ms. Jia is also the director of Cheer Success Holdings Limited, Power Investment (H.K.) Limited, Boer (Wuxi) Power System Co., Ltd., Boer (Yixing) Power System Co., Ltd., Yixing Boai Automation Complete Sets of Equipment Co., Ltd., Sydenham International Group Corporation, Palace Glory International Limited, Profit Sea Holdings Limited and Boer Technology (H.K.) Limited, which are wholly-owned subsidiaries of the Company. Ms. Jia is primarily responsible for the overall management of the daily operations of the 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 is the wife of Mr. Qian Yixiang and the daughter-in-law of Mr. Qian Zhongming.

ZHA Saibin

ZHA Saibin, aged 45, 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 also the director of Boer (Wuxi) Power System Co., Ltd, which is a wholly-owned subsidiary of the Company. Mr. Zha is primarily responsible for the product development of the 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 the 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 65, 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 the Group. Mr. Qian was appointed a director of our Board on 12 February 2010. Mr. Qian is also the director of Boer (Yixing) Power System Co., Ltd. which is a wholly-owned subsidiary of the Company. As a founding member of Wuxi Boer, Mr. Qian acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry during the last 20 years. Mr. Qian graduated from Luoshe Senior High School in 1966. Mr. Qian is the father of Mr. Qian Yixiang and the father-in-law of Ms. Jia Lingxia.

HUANG Liang

HUANG Liang, aged 38, is an executive director and the chief financial officer. Mr. Huang was appointed a director of our Board on 9 November 2011. Mr. Huang is primarily responsible for the finance and treasury of the Group. Mr. Huang has over 19 years of experience in accounting and finance. Mr. Huang joined Boer Wuxi in January 2009 as the financial manager. Prior to joining the 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.

NON-EXECUTIVE DIRECTOR

ZHANG Huaqiao

ZHANG Huaqiao, aged 49, joined our Board as a non-executive director on 9 November 2011 and was appointed as a member of our Company's audit committee, remuneration committee and nomination committee on 9 November 2011. Mr. Zhang ceased to be a member of our Company's remuneration committee and nomination committee on 1 February 2012. Mr. Zhang has acted as Chairman of Guangzhou Wansui Micro Credit Co., Ltd. since 20 June 2011. He is also an independent non-executive director of Fosun International Limited (Stock Code: 656) which is listed on the Main Board of the Stock Exchange. From June 1999 to April 2006, Mr. Zhang worked with UBS Securities Asia Limited, ultimately becoming the managing director and co-head of the China research team. Prior to this, Mr. Zhang worked as a principal staff member with the People's Bank of China in Beijing between July 1986 and January 1989. Mr. Zhang was an executive director and chief executive officer of Man Sang International Limited (Stock Code: 938), a company listed on the Main Board of the Stock Exchange, between September 2011 and April 2012.

Mr. Zhang obtained a bachelor's degree in economics and finance from Hubei Institute of Finance and Economics in 1983, a master's degree in banking and finance from the Graduate School of the People's Bank of China in 1986 and a master's degree in economics from the Australian National University in 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YEUNG Chi Tat

YEUNG Chi Tat, aged 42, 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), ANTA Sports Products Limited (Stock Code: 2020), Billion Industrial Holdings Limited (Stock Code: 2299) and Sitoy Group Holdings Limited (Stock Code: 1023), 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 and a master's degree in Professional Accounting with distinction from Hong Kong Polytechnic University. 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 48, 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. The 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 the Group has established a long-term research relationship with Jiangnan University, Mr. Tang has never been involved in any of the research and development programmes undertaken by Jiangnan University for the Group. Mr. Tang currently does not receive and has not in the past ever received any personal benefit from the cooperation relationship between the Group and Jiangnan University. Mr. Tang 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 39, 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. The 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 the 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 was not personally involved in, and will not benefit from, the cooperation between the Group and Dongnan University or the setting up of the joint research centre. Neither was Mr. Zhao involved in the negotiation of the cooperation agreement. Mr. Zhao currently does not receive and has not in the past received any personal interest from the cooperation relationship between the 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

HAN Weidong

HAN Weidong, aged 45, is a deputy general manager of Boer Wuxi, responsible for overseeing the daily operations of our Boer Wuxi. Mr. Han joined Boer Wuxi in January 2005 as a deputy general manager and has 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 the 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.

LI Xianli

LI Xianli, aged 38, is the operation director of the Group. Mr. Li is primarily responsible for the strategic planning and daily operation of the factories of the Group. Mr. Li joined Boer Power in April 2011 as the operation director. Mr. Li was the purchasing engineer and purchasing director of York (Wuxi) Air-conditioner Refrigeration Equipment Co., Ltd. from February 1997 to November 2004. Prior to joining the Group, Mr. Li worked as the operating manager and general manager of Compair Global Purchasing Center (Shanghai) Co., Ltd. from December 2004 to March 2011. Mr. Li received a bachelor's degree in Economics in 1997 from Nanjing Agricultural University and then a master's degree in Business Administration in 2006 from Fudan University.

ZHANG Jianqi

ZHANG Jianqi, aged 48, is the northern China sales director of the Group. Ms. Zhang is primarily responsible for the sales of products of the Group. Ms. Zhang joined Wuxi Boer in March 2003 as the sales supervisor concentrating on sales in North 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 the 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.

HE Fuye

HE Fuye, aged 45, is the northern China sales director of the Group. Mr. He is primarily responsible for the sales of products of the Group. Mr. He joined Boer Power in March 2010 as the northern component sales director. Prior to joining the Group, Mr. He worked as the sales engineer, department manager, regional manager and channel director of Schneider Electric (China) Investment Co., Ltd. from September 1997 to February 2010. Mr. He received a bachelor's degree in Engineering in 1990 from University of Science and Technology Beijing and a master's degree in Principles of Automatic Control and Application in 1997 from University of Electronic Science and Technology of China.

ZHANG Jiaqing

ZHANG Jiaqing, aged 47, is the central China sales director of the Group. Mr. Zhang is primarily responsible for the sales of products of the 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 the 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.

GAO Jinyang

GAO Jinyang, aged 41, is the central China sales director of the Group. Mr. Gao is primarily responsible for the sales of products of the Group. Mr. Gao joined Boer Power in January 2009 as the component sales director. Mr. Gao was the key account manager of Schneider Electric (China) Co., Ltd. Nanjing Office from March 2003 to October 2006. Prior to joining the Group, Mr. Gao worked as the manager of Siemens Automation and Drive Group Nanjing Office from November 2006 to December 2008. Mr. Gao graduated from Nanjing Power College in 1992.

LI Zhongsheng

LI Zhongsheng, aged 36, is the southern China sales director of the Group. Mr. Li is primarily responsible for the sales of products of the Group. Mr. Li joined Boer Power in January 2011 as the southern China sales director. Prior to joining the Group, Mr. Li worked as the senior sales engineer of Schneider Electric (China) Investment Co., Ltd. from March 2006 to December 2010. Mr. Li received a bachelor's degree in Engineering in 1997 from Henan Agricultural University.

WANG Ting

WANG Ting, aged 37, is the southern China sales director of the Group. Mr. Wang is primarily responsible for the sales of products of the Group. Mr. Wang joined Boer Electric Sales (China) Co., Ltd. in September 2011 as the southern China sales director. Prior to joining the Group, Mr. Wang worked as the marketing minister of Shanghai Electrical Apparatus Research Institute of Electrical Switchgear Co., Ltd. from June 2008 to March 2011. Mr. Wang graduated from Shanghai College of Electricity & Machinery Technology in 1997.

YAO Yunliang

YAO Yunliang, aged 38, is the Shanghai sales director of the Group. Mr. Yao is also the director of Wuxi Boer Power Engineer Co., Ltd., which is a wholly-owned subsidiary of the Company. Mr. Yao is primarily responsible for the sales of products of the Group. Mr. Yao joined Wuxi Boer in February 2002 as the manager of Marketing Division. He was appointed as the general manager of Wuxi Boer Power Engineer Co., Ltd. in January 2008 and served as the Shanghai sales director of the Group since December 2009.

LI Mingxiang

LI Mingxiang, aged 37, is the EE solution sales director of the Group. Mr. Li is primarily responsible for provision of solutions of the Group. Mr. Li joined Boer Power in September 2011 as the EE solution sales director. Prior to joining the Group, Mr. Li worked as the department manager of Schneider Electric (China) Investment Co., Ltd. Wuxi Office from April 2004 to August 2008. Thereafter he worked as sales manager of Schneider Electric (China) Co., Ltd. Shanghai Branch from August 2008 to September 2011. Mr. Li received a bachelor's degree in Engineering in 1998 from Chongqing University.

GAO Xiudong

GAO Xiudong, aged 33, is our long-term customers director. Mr. Gao is primarily responsible for the sales of products to the long-term customers of the Group. Mr. Gao joined Wuxi Boer in February 2004 as the sales engineer of Marketing Division. He was appointed as the project manager in March 2005; served as the minister of Operation Division in March 2008; and acted as long-term customer supervisor in January 2011. Mr. Gao graduated from Jiangsu University Zhongshan Campus in 2004 with a specialty in Economic Information Management and Computer Application.

SHI Weili

SHI Weili, aged 43, is the designing institute solution promoting director of the Group. Mr. Shi is primarily responsible for the sales of products of the designing institute of the Group. Mr. Shi joined Wuxi Boer in September 2002 as the promoting director of the designing institute. Prior to joining the Group, Mr. Shi worked as a panel and cabinet salesman with Schneider Electric Shanghai Office from June 1998 to August 2002. Mr. Shi received a bachelor's degree in Engineering in 1992 from Shanghai University of Electric Power.

BO Huizhong

BO Huizhong, aged 35, is the marketing director of the Group, responsible for the sales and marketing of the 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 the Group, Mr. Bo worked as a marketing engineer of Schneider from March 2006 to March 2009. During his time with Schneider, Mr. Bo 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.

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 2011.

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") during the year, except for the deviation from the code provisions A.2.1 and B.1.1 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 year.

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 2011.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2011, the Board comprised nine directors consisting of five executive directors, one non-executive director and three independent non-executive directors.

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. Although the Board is not involved in the Group's day-to-day operations, it does have a formal schedule of matters reserved for its own decision, as defined in its terms of reference, which are available on the Group's website.

Board meetings

During the year ended 31 December 2011, nine 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[(i)] *(Chairman)*	9	9
Ms. Jia Lingxia[(i)]	9	9
Mr. Zha Saibin	9	9
Mr. Qian Zhongming[(i)]	4	9
Mr. Huang Liang[(ii)]	1	1
Non-executive director		
Mr. Zhang Huaqiao[(ii)]	1	1
Independent non-executive directors		
Mr. Yeung Chi Tat	9	9
Mr. Tang Jianrong	9	9
Mr. Zhao Jianfeng	9	9

Note:

(i) Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

(ii) Mr. Huang Liang and Mr. Zhang Huaqiao were appointed on 9 November 2011.

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 Rules 3.10(1) and 3.10A 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 annual 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 appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual 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. Under Code provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Zhang Huaqiao, Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng has been appointed for a specific term of three years.

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. As at 31 December 2011, the remuneration committee has six members comprising three independent non-executive directors, one non-executive director and two executive directors: namely, Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Zhang Huaqiao (who was appointed as a member of the remuneration committee on 9 November 2011 and ceased to be so on 1 February 2012 as explained below), Mr. Qian Yixiang and Ms. Jia Lingxia, respectively. Mr. Yeung Chi Tat is the chairman of the remuneration committee.

Code provision B.1.1 stipulates that issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors. Mr. Zhang Huaqiao, a non-executive director of the Company, was appointed as a member of the remuneration committee on 9 November 2011 by an inadvertent oversight, as a result of which the remuneration committee was composed of three independent non-executive directors (namely Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng), two executive directors (namely Mr. Qian Yixiang and Ms. Jia Lingxia) and one non-executive director (namely Mr. Zhang Huaqiao). In order to fully comply with the requirement under Code provision B.1.1, Mr. Zhang Huaqiao ceased to be a member of the remuneration committee on 1 February 2012 so that the majority of the members of the remuneration committee remains to be the independent non-executive directors of the Company. During the period which Mr. Zhang Huaqiao was appointed as a member of the remuneration committee, Mr. Zhang Huaqiao did not take part in any meeting or engage in making any decision of the remuneration committee.

Remuneration committee is responsible for making recommendations to the Board on the remuneration of the directors and senior management and 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 year ended 31 December 2011, two meetings were 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 meetings
Independent non-executive directors		
Mr. Yeung Chi Tat	2	2
Mr. Tang Jianrong	2	2
Mr. Zhao Jianfeng	2	2
Non-executive director		
Mr. Zhang Huaqiao(i)	0	0
Executive directors		
Mr. Qian Yixiang	2	2
Ms. Jia Lingxia	2	2

Note:

(i) Mr. Zhang Huaqiao was appointed on 9 November 2011 and ceased as remuneration committee member on 1 February 2012. There was no meeting held during his appointment.

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. As at 31 December 2011, the audit committee has four members comprising three independent non-executive directors and one non-executive director: namely, Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng and Mr. Zhang Huaqiao, respectively. Mr. Yeung Chi Tat is the chairman of the audit committee.

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. Audit committee is responsible for reviewing and supervising the financial reporting process and the internal control procedures of the Group, nominating and monitoring external auditor, and reviewing the Company's annual report and interim report to provide advice and comments thereon to the Board.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2011 in conjunction with the Company's external auditor.

During the year ended 31 December 2011, three meetings were 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 meetings
Independent non-executive directors		
Mr. Yeung Chi Tat	3	3
Mr. Tang Jianrong	3	3
Mr. Zhao Jianfeng	3	3
Non-executive director		
Mr. Zhang Huaqiao(i)	0	0

Note:

(i) Mr. Zhang Huaqiao was appointed on 9 November 2011 and during the year ended 31 December 2011, there was no meeting held after his appointment.

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 2011.

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. As at 31 December 2011, the nomination committee has six members comprising three independent non-executive directors, one non-executive director and two executive directors: namely, Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Zhang Huaqiao, Mr. Qian Yixiang and Ms. Jia Lingxia, respectively. Mr. Yeung Chi Tat is the chairman of the nomination committee.

Under the recommended best practices A.4.4 of the Code, a majority of the members of the nomination committee should be independent non-executive directors. Mr. Zhang Huaqiao, a non-executive director of the Company, was appointed as a member of the nomination committee on 9 November 2011, as a result of which the nomination committee was composed of three independent non-executive directors (namely Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng), two executive directors (namely Mr. Qian Yixiang and Ms. Jia Lingxia) and one non-executive director (namely Mr. Zhang Huaqiao). In order to comply with such recommended best practice, Mr. Zhang Huaqiao ceased to be a member of the remuneration committee on 1 February 2012 so that the majority of the members of the nomination committee remains to be the independent non-executive directors of the Company. During the period which Mr. Zhang Huaqiao was appointed as a member of the nomination committee, Mr. Zhang Huaqiao did not take part in any meeting or engage in making any decision of the nomination committee.

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

During the year ended 31 December 2011, no meeting was held by the committee.

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 under review, 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 Group's internal control and risk management procedures and was satisfied that the Group's internal control processes are adequate to meet the needs of the Group in its current business environment.

Auditor's remuneration

During the year ended 31 December 2011, the remuneration paid and payable to the auditor of the Company, KPMG, is set out as below:

Nature of services	Remuneration paid and payable RMB'000
Audit service	1,962
Non-audit service – Review of interim results	739
Non-audit service – Issue of comfort letters on sufficiency of working capital and statement of indebtedness	267
Total	2,968

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 Company and of the Group for the year ended 31 December 2011.

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 31 of the annual report.

The directors recommend the payment of a final dividend of HK10 cents per ordinary share, totalling RMB62,836,000. The final dividend is expected to be paid to those shareholders whose names appear on the register of members of the Company at the close of business on 14 June 2012.

PROPERTY, PLANT AND EQUIPMENT

The major additions to property, plant and equipment of the Group include addition of upstream component production facilities through the successful acquisition of Wuxi Tezhong Electrical Capacitor Co., Ltd and addition of the new plant in Wuxi. 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 28(c) to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Except for the repurchase and cancellation of the Company's own ordinary shares, and the repurchase of the Company's own ordinary shares by the trust under the share award scheme as set out in notes 28(c)(vi) and 26, respectively to the financial statements, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities 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 2011 are set out in the consolidated statement of changes in equity and notes 28(a) and 28(e) to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 21% of the total turnover of the Group and the largest customer accounted for about 8% of the total turnover.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 29% and 46% of the Group's total purchases 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
Mr. Huang Liang (appointed on 9 November 2011)

Non-executive director
Mr. Zhang Huaqiao (appointed on 9 November 2011)

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

On 9 November 2011, Mr. Huang Liang and Mr. Zhang Huaqiao were appointed as the executive director and non-executive director of the Company respectively in addition to the existing Board. In accordance with articles 111 and 112 of the Articles of Association of the Company (the "Articles"), they shall hold their offices only until the next annual general meeting of the Company and be subject to retirement by rotation.

In accordance with article 108 of 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. Mr. Qian Yixiang and Mr. Huang Liang, the executive directors and Mr. Zhang Huaqiao, the 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' 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 non-executive director and 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' 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.

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 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. As at 31 December 2011, the Company had no share options outstanding under the Scheme.

SHARE AWARD SCHEME

The share award scheme was approved by the Board on 17 June 2011 ("Adoption Date"). The total number of all shares purchased by the trustee under the scheme must not exceed 10% of the issued shares as at the Adoption Date (being 77,812,500 shares) unless the Board otherwise decides. The maximum number of shares which can be awarded to a selected employee under the share award scheme is limited to 1% of the issued share capital of the Company as at the Adoption Date.

On 23 June 2011 and 13 July 2011, the Company paid HK$20 million and HK$40 million, respectively, to the trustee of the share award scheme pursuant to the scheme. On 21 November 2011, HK$7 million was refunded to the Company by the trustee. During the year, the Company was informed by the trustee that it had purchased an aggregate of 13,722,000 shares of the Company's existing shares on the market for the purpose of the scheme.

On 10 October 2011, the Board resolved to grant a total of 2,920,000 shares to the director and employees, representing 0.38 percent of the issued shares of the Company as at Adoption Date.

Further details in relation to the share award scheme are set out in note 26 to the financial statements of this Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, 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 SHARES AND UNDERLYING SHARES

The directors of the Company who held office at 31 December 2011 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	520,500,000(i)	67.03
Ms. Jia Lingxia	Interest of controlled corporation	520,500,000(i)	67.03
Mr. Zha Saibin	Beneficial owner	390,000	0.05
Mr. Huang Liang	Beneficial owner	2,000	0.00

Note:

(i) The 520,500,000 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.

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

At 31 December 2011, 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	520,500,000(i)	67.03
Ms. Jia Lingxia	Interest of controlled corporation	520,500,000(i)	67.03
King Able Limited	Beneficial owner	520,500,000(i)	67.03
Jin Bor-Shi	Interest of controlled corporation	45,000,000(ii)	5.80
Leon Capital Partners	Interest of controlled corporation	45,000,000(ii)	5.80
Leon Capital	Interest of controlled corporation	45,000,000(ii)	5.80
Leon Capital L.P.I	Interest of controlled corporation	45,000,000(ii)	5.80
Silver Crest Global Limited	Beneficial owner	45,000,000(ii)	5.80

Notes:

(i) The 520,500,000 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

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.

On 19 May 2011, Wuxi Boer acquired 51% equity interest in Shanghai Boer from Shanghai Electrical Apparatus Research Institute (Group) Company Limited. Upon the completion of such transfer, the equity interest owned by Wuxi Boer in Shanghai Boer increased from 49% to 100% and Shanghai Boer became a wholly-owned subsidiary of Wuxi Boer.

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 RMB14,703,000 from Shanghai Boer and sold contactor and mini circuit breaker and other products of RMB7,731,000 to Shanghai Boer under the Master Agreement.

The independent non-executive directors have reviewed the continuing connected transactions set out 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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
27 March 2012

INDEPENDENT AUDITOR'S REPORT

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 31 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 requirements 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 2011 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

27 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	4	**1,014,589**	911,059
Cost of sales		**(638,528)**	(578,790)
Gross profit		**376,061**	332,269
Other revenue	5	**38,321**	9,488
Gain on acquisition of a subsidiary	29	**24,382**	–
Selling and distribution expenses		**(37,364)**	(31,203)
Administrative expenses		**(105,963)**	(91,982)
Profit from operations		**295,437**	218,572
Finance costs	6(a)	**(183)**	(2,783)
Profit before taxation	6	**295,254**	215,789
Income tax	7(a)	**(42,276)**	(28,563)
Profit for the year		**252,978**	187,226
Other comprehensive income for the year			
Exchange differences on translation of financial statements of operations outside mainland China		**(20,266)**	(4,680)
Total comprehensive income for the year		**232,712**	182,546
Profit attributable to:	10		
Equity shareholders of the Company		**252,978**	180,107
Non-controlling interests		**–**	7,119
Profit for the year		**252,978**	187,226
Total comprehensive income attributable to:			
Equity shareholders of the Company		**232,712**	175,427
Non-controlling interests		**–**	7,119
Total comprehensive income for the year		**232,712**	182,546
Earnings per share (RMB cents)	11		
Basic		**32.70**	29.83
Diluted		**32.69**	29.83

The notes on pages 37 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 28(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	12	162,767	47,515
Construction in progress	13	58,183	16,828
Intangible assets	14	15,622	162
Lease prepayments	15	22,302	19,809
Prepayments for purchase of equipment and acquisition of land use right		8,427	3,358
Deferred tax assets	27(b)	2,075	1,738
		269,376	89,410
Current assets			
Inventories	17	68,905	29,037
Trade and other receivables	18	983,237	693,243
Amount due from a related party	33(b)	3,946	–
Pledged deposits	19	21,587	19,640
Available-for-sale investment	20	40,000	–
Time deposits with original maturity over three months	21(a)	–	658,954
Cash and cash equivalents	21	652,810	268,093
		1,770,485	1,668,967
Current liabilities			
Bank loans	22	38,163	–
Trade and other payables	23	464,707	377,327
Amounts due to directors	33(b)	–	425
Amounts due to related parties	33(b)	2,878	4,228
Current taxation	27(a)	15,301	10,040
		521,049	392,020
Net current assets		1,249,436	1,276,947
Total assets less current liabilities		1,518,812	1,366,357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Deferred tax liabilities	27(b)	**6,475**	–
NET ASSETS		**1,512,337**	1,366,357
CAPITAL AND RESERVES			
Share capital	28(c)	**66,241**	66,382
Reserves	28(d)	**1,446,096**	1,299,975
TOTAL EQUITY		**1,512,337**	1,366,357

Approved and authorised for issue by the board of directors on 27 March 2012.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 37 to 80 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Investment in a subsidiary	16	4,031	7
Amount due from a subsidiary	24	922,767	1,056,620
		926,798	1,056,627
Current asset			
Cash at bank	21(a)	2,724	429
Current liability			
Other payables	23	175	–
Net current assets		2,549	429
Total assets less current liability		929,347	1,057,056
NET ASSETS		929,347	1,057,056
CAPITAL AND RESERVES	28(a)		
Share capital		66,241	66,382
Reserves		863,106	990,674
TOTAL EQUITY		929,347	1,057,056

Approved and authorised for issue by the board of directors on 27 March 2012.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 37 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company											
Balance at 1 January 2010	28(c)(i)	7,511	–	–	–	12,695	742	–	891	150,316	172,155	31,590	203,745
Capital injection prior to the listing	28(c)(ii)	79	–	–	–	–	–	–	–	–	79	–	79
Shares issued upon incorporation/Reorganisation	28(c)(iii)	1	–	6	–	–	–	–	–	–	7	–	7
Reduction in capital upon Reorganisation	28(c)(iii)	(90)	–	–	–	–	–	–	–	–	(90)	–	(90)
Capitalisation issue	28(c)(iv)	47,986	–	(47,986)	–	–	–	–	–	–	–	–	–
Profit distributions prior to the listing	28(b)(i)	–	–	–	–	–	–	–	–	(60,962)	(60,962)	(9,702)	(70,664)
Shares issued under placing and public offering, net of issuing expenses	28(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")	28(d)(v)	–	–	–	–	–	2,419	–	–	–	2,419	(2,418)	1
– Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi")	28(d)(v)	–	–	–	–	–	3,732	–	–	–	3,732	(17,045)	(13,313)
– Yixing Boai Automation Complete Sets of Equipment Co., Ltd. ("Yixing Boai")	28(d)(v)	(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
Balance at 1 January 2011		66,382	–	1,000,172	–	12,695	21,436	–	(3,789)	269,461	1,366,357	–	1,366,357
Appropriation to statutory reserve		–	–	–	–	42,650	–	–	–	(42,650)	–	–	–
Dividends approved in respect of the previous year		–	–	(45,372)	–	–	–	–	–	–	(45,372)	–	(45,372)
Repurchase of shares	28(c)(vi)	(141)	–	(3,357)	–	–	–	141	–	–	(3,357)	–	(3,357)
Shares purchased for share award scheme	26	–	(42,027)	–	–	–	–	–	–	–	(42,027)	–	(42,027)
Equity-settled share-based transaction	26	–	–	–	4,024	–	–	–	–	–	4,024	–	4,024
Vesting of shares granted under share award scheme	26	–	10,224	–	(10,224)	–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–	–	(20,266)	252,978	232,712	–	232,712
Balance at 31 December 2011		66,241	(31,803)	951,443	(6,200)	55,345	21,436	141	(24,055)	479,789	1,512,337	–	1,512,337

The notes on pages 37 to 80 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash generated from/(used in) operations	21(b)	18,056	(199,684)
Income tax paid		(43,278)	(27,356)
Net cash used in operating activities		(25,222)	(227,040)
Investing activities			
Payment for purchase of property, plant and equipment		(131,417)	(30,095)
Proceeds from sale of property, plant and equipment		116	1,029
Payment for lease prepayments		–	(46)
Payment for purchase of intangible assets		–	(177)
Net repayments from related parties		–	79,059
Net advances to directors		–	(216)
Payment for purchase of available-for-sale investments		(448,000)	–
Proceeds from maturity of available-for-sale investments		408,000	–
Interest received		34,076	2,885
Investment income received		753	–
Net payment for acquisition of a subsidiary	29	(35,669)	–
Placement of time deposits with original maturity over three months		–	(658,954)
Maturity of time deposits with original maturity over three months		644,339	–
(Increase)/decrease in pledged deposits		(1,947)	74,417
Net cash generated from/(used in) investing activities		470,251	(532,098)
Financing activities			
Proceeds from bank loans		263,780	179,000
Repayment of bank loans		(225,266)	(229,000)
Profit distributions prior to the listing		–	(9,702)
Proceeds from capital injection prior to the listing		–	79
Proceeds from issue of shares, net of expenses directly attributable to the issue of shares	28(a)	–	1,066,547
Payment for purchase of shares for share award scheme		(41,852)	–
Payment for repurchase of shares	28(c)(vi)	(3,357)	–
Interest paid		(183)	(2,783)
Dividends paid to equity shareholders of the Company	28(b)(ii)	(45,372)	–
Net cash (used in)/generated from financing activities		(52,250)	1,004,141
Net increase in cash and cash equivalents		392,779	245,003
Cash and cash equivalents at 1 January	21(a)	268,093	27,762
Effect of foreign exchange rate changes		(8,062)	(4,672)
Cash and cash equivalents at 31 December	21(a)	652,810	268,093

The notes on pages 37 to 80 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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").

Pursuant to a reorganisation (the "Reorganisation") of the Group to rationalise the group structure in the preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 7 October 2010. The Company's shares have been listed on the Stock Exchange since 20 October 2010.

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 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company, its subsidiaries and a trust as further elaborated in note 26.

These consolidated financial statements are presented in Renminbi ("RMB") because RMB is the primary functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale investments (see note 2(k)(i)).

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 3.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

The impacts of these developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) 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)

(d) 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(k)).

The assets and liabilities of the trust in connection with a share award scheme (see note 26), are included in the Company's statement of financial position.

(e) Gain on acquisition of a subsidiary

Gain on acquisition of a subsidiary represents the excess of:

(i) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date; over

(ii) the aggregate of the fair value of the consideration transferred.

The amount is recognised immediately in profit or loss.

(f) Property, plant and equipment

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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(k)). 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(w)). 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.

(h) Intangible assets

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

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)).

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:

–	Software	5 years
–	Customer contracts	amortised over the contract terms
–	Customer relationship	6 years

Both the period and method of amortisation are reviewed annually.

(i) 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(k)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of investments in subsidiaries, available-for-sale investments and other receivables

Investments in subsidiaries, available-for-sale investments and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments 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.

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(k)(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(k)(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 these financial assets 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.

– For available-for-sale investments, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in subsidiaries, available-for-sale investments and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised 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.

(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 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)

(k) 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(k)(i) and (ii)).

(l) 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.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)).

(n) 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 amount 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.

(o) 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.

(p) 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.

(q) Shares held for share award scheme

Consideration including any directly attributable incremental costs for the purchase of the Company's shares from market for the share award scheme, is presented as shares held for share award scheme and is deducted from total equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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) Share-based payments

The fair value of shares granted under the share award scheme to employees is recognised as an employee cost with a corresponding increase in an employee share-based compensation reserve within equity. The fair value is measured at grant date based on market value, taking into account the terms and conditions (including lock up period) upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares.

(s) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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 each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

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.

(t) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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 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 receipts in advance under trade and other payables.

(ii) Interest income

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

(iii) Service income

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

(iv) Government grants

Government grants are recognised in the 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.

(v) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside mainland China is Hong Kong Dollars and the functional currency of the subsidiaries in mainland China is Renminbi.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(y) 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. 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.

(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 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.

4. TURNOVER AND SEGMENT REPORTING

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

Turnover represents the sales value of goods sold less returns, discounts and value added 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 turnover 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 2011					
Turnover	**18,118**	**745,132**	**65,894**	**185,445**	**1,014,589**
Cost of sales	**(13,009)**	**(464,570)**	**(33,609)**	**(127,340)**	**(638,528)**
Gross profit	**5,109**	**280,562**	**32,285**	**58,105**	**376,061**
Depreciation and amortisation included in cost of sales	**185**	**6,602**	**475**	**1,802**	**9,064**
Year ended 31 December 2010					
Turnover	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

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:

	2011 RMB'000	2010 RMB'000
Cost of sales	9,064	3,868
Administrative expenses	7,835	1,591
	16,899	5,459

The Group has no customer with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2011 (2010: one customer). For the year ended 31 December 2010, the amount of sales to this customer amounted to approximately RMB163,428,000. Details of concentration of credit risk arising from this customer are set out in note 30(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

	2011 RMB'000	2010 RMB'000
Interest income from financial institutions	28,709	8,251
Investment income	753	–
Government grants	6,826	1,087
Others	2,033	150
	38,321	9,488

6. PROFIT BEFORE TAXATION

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

		2011 RMB'000	2010 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	183	2,783
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	4,216	2,698
	Equity-settled share-based payment expenses (note 26)	4,024	–
	Salaries, wages and other benefits	50,162	43,112
		58,402	45,810
(c)	Other items:		
	Amortisation of intangible assets	5,185	39
	Amortisation of lease prepayments	707	368
	Depreciation	11,007	5,052
	Auditors' remuneration	2,829	1,629
	Impairment losses for trade receivables	–	106
	Impairment losses for other receivables written back	–	(40)
	Operating lease charges in respect of properties	2,478	1,632
	Research and development (other than staff costs)	35,896	34,317
	Net foreign exchange losses	2,068	843
	Cost of inventories#	638,528	578,790

\# Cost of inventories includes RMB31,174,000 (2010: RMB21,045,000) 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:

	2011 RMB'000	2010 RMB'000
Current tax		
Provision for PRC income tax for the year	44,439	30,630
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	(2,163)	(2,067)
	42,276	28,563

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	295,254	215,789
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	71,369	54,773
Tax effect of PRC preferential tax treatments (note (iii))	(27,270)	(28,110)
Tax effect of non-deductible expenses	4,188	3,006
Tax effect of non-taxable income	(8,722)	(1,106)
Withholding tax on interest income received by non-resident enterprise in the PRC	2,711	–
Actual tax expense	42,276	28,563

Note:

(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 years ended 31 December 2011 and 2010.

(Expressed in Renminbi unless otherwise indicated)

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)

(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:

	2011	2010
Boer Wuxi (note (b))	**15%**	12.5%
Boer Yixing (note (b))	**15%**	12.5%
Yixing Boai (note (c))	**12.5%**	12.5%
Other PRC subsidiaries (note (a))	**25%**	25%

Note:

(a) According to the PRC Corporate Income Tax ("CIT") Law, the statutory income tax rate is 25%.

(b) Boer Wuxi and Boer Yixing were exempted 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"). They commenced their tax holidays in 2006 and accordingly their tax rates for 2010 were 12.5%.

Boer Wuxi and Boer Yixing have been qualified as High and New Technology Enterprises since 2009 and 2011 respectively. Hence they are entitled to a preferential tax rate of 15% in 2011 according to the CIT Law and its implementation rules.

(c) Yixing Boai was entitled to the 2+3 tax holidays since 2008. Hence the tax rate is 12.5% for 2011 and 2010.

8. DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

Year ended 31 December 2011

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Employee share-based compensation benefits RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors						
Mr. Qian Yixiang	–	998	10	–	–	1,008
Ms. Jia Lingxia	–	798	10	–	–	808
Mr. Zha Saibin	–	852	8	538	–	1,398
Mr. Qian Zhongming	–	798	–	–	–	798
Mr. Huang Liang*	–	86	1	–	–	87
Non-executive director						
Mr. Zhang Huaqiao*	36	–	–	–	–	36
Independent non-executive directors						
Mr. Yeung Chi Tat	150	–	–	–	–	150
Mr. Tang Jianrong	100	–	–	–	–	100
Mr. Zhao Jianfeng	100	–	–	–	–	100
Total	386	3,532	29	538	–	4,485

* Mr. Huang Liang and Mr. Zhang Huaqiao were appointed on 9 November 2011.

8. DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2010

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Employee share-based compensation benefits RMB'000	Discretionary bonuses RMB'000	Total 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

During the year, no amount was paid or payable by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2010: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2010: two) individual are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**756**	1,273
Discretionary bonuses	**516**	–
Contributions to retirement benefit schemes	**71**	78
	1,343	1,351

The emoluments of the one (2010: two) individual(s) with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB16,000 (2010: 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 28(b).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB252,978,000 (2010: RMB180,107,000) and the weighted average of 773,649,000 ordinary shares (2010: 603,878,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 **'000**	2010 '000
Issued ordinary shares at 1 January	**778,125**	–
Effect of issue upon legal establishment (note 28(c)(iii))	**–**	1
Effect of capitalisation upon Reorganisation (note 28(c)(iii))	**–**	9
Effect of capitalisation issue (note 28(c)(iv))	**–**	562,490
Effect of shares issued upon placing and public offering (note 28(c)(v))	**–**	41,378
Effect of shares held for share award scheme	**(3,921)**	–
Effect of shares repurchased (note 28(c)(vi))	**(555)**	–
Weighted average number of ordinary shares	**773,649**	603,878

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB252,978,000 (2010: RMB180,107,000) and the weighted average number of 773,761,000 ordinary shares (2010: 603,878,000 shares) in issue adjusted for the potential dilutive effect caused by the shares granted under the share award scheme (see note 26), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011 **'000**	2010 '000
Weighted average number of ordinary shares	**773,649**	603,878
Effect of unvested shares under the Company's share award scheme	**112**	–
Weighted average number of ordinary shares (diluted)	**773,761**	603,878

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 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
At 1 January 2011	**20,371**	**34,287**	**4,185**	**2,775**	**61,618**
Additions	**2,033**	**11,846**	**2,598**	**3,700**	**20,177**
Transfer from construction in progress	**68,432**	**3,477**	**–**	**1,126**	**73,035**
Acquisition of a subsidiary (note 29)	**24,561**	**7,518**	**750**	**341**	**33,170**
Disposals	**–**	**–**	**(197)**	**–**	**(197)**
Exchange adjustments	**(14)**	**–**	**–**	**(2)**	**(16)**
At 31 December 2011	**115,383**	**57,128**	**7,336**	**7,940**	**187,787**
Accumulated depreciation:					
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
At 1 January 2011	**2,805**	**8,953**	**1,622**	**723**	**14,103**
Charge for the year	**4,124**	**4,925**	**983**	**975**	**11,007**
Written back on disposals	**–**	**–**	**(83)**	**–**	**(83)**
Exchange adjustments	**(7)**	**–**	**–**	**–**	**(7)**
At 31 December 2011	**6,922**	**13,878**	**2,522**	**1,698**	**25,020**
Net book value:					
At 31 December 2011	**108,461**	**43,250**	**4,814**	**6,242**	**162,767**
At 31 December 2010	17,566	25,334	2,563	2,052	47,515

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

As at 31 December 2011, the Group was in the process of obtaining the property ownership certificates in respect of certain properties located in the PRC with net book values of RMB84,145,000 (2010: Nil). Of these, properties amounting to RMB19,546,000 were acquired through the acquisition of a subsidiary during the year.

13. CONSTRUCTION IN PROGRESS

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**16,828**	–
Additions	**114,390**	16,828
Transfer to property, plant and equipment	**(73,035)**	–
At 31 December	**58,183**	16,828

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

14. INTANGIBLE ASSETS

	The Group			
		Customer	Customer	
	Software	**contracts**	**relationship**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2010	111	–	–	111
Additions	177	–	–	177
At 31 December 2010	288	–	–	288
At 1 January 2011	**288**	**–**	**–**	**288**
Acquisition of a subsidiary (note 29)	**–**	**2,352**	**18,293**	**20,645**
At 31 December 2011	**288**	**2,352**	**18,293**	**20,933**
Accumulated amortisation:				
At 1 January 2010	87	–	–	87
Charge for the year	39	–	–	39
At 31 December 2010	126	–	–	126
At 1 January 2011	**126**	**–**	**–**	**126**
Charge for the year	**39**	**2,352**	**2,794**	**5,185**
At 31 December 2011	**165**	**2,352**	**2,794**	**5,311**
Net book value:				
At 31 December 2011	**123**	**–**	**15,499**	**15,622**
At 31 December 2010	162	–	–	162

15. LEASE PREPAYMENTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**20,725**	20,679
Additions	**–**	46
Acquisition of a subsidiary (note 29)	**3,200**	–
At 31 December	**23,925**	20,725
Accumulated amortisation:		
At 1 January	**916**	548
Charge for the year	**707**	368
At 31 December	**1,623**	916
Net book value:		
At 31 December	**22,302**	19,809

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	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**7**	7
Capital contribution in respect of employee share-based compensation	**4,024**	–
	4,031	7

(Expressed in Renminbi unless otherwise indicated)

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	Particulars 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
Boer Wuxi (note (i))	PRC	US$71,000,000	–	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
Wuxi Boer Power Engineer Co., Ltd. (note (ii))	PRC	RMB5,000,000	–	100%	Provision of energy efficiency solutions
Wuxi Tezhong Electrical Capacitor Co., Ltd.* ("無錫市特種電力電容器有限公司" or "Wuxi Tezhong") (note (ii))	PRC	RMB60,000,000	–	100%	Design, manufacture and sale of capacitors
Boer Electric Sales (China) Co., Ltd.* ("博耳電氣銷售(中國)有限公司") (note (i))	PRC	US$1,600,000	–	100%	Trading of electrical distribution equipment
Sydenham (Wuxi) Switch Co., Ltd. ("賽德翰(無錫)開關有限公司") (note (i))	PRC	US$1,200,000	–	100%	Manufacture of components and spare parts

Notes:

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

(ii) These entities are limited companies established in the PRC.

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

17. INVENTORIES

	The Group 2011 RMB'000	2010 RMB'000
Raw materials	36,934	20,581
Work in progress	19,308	4,641
Finished goods	12,663	3,815
	68,905	29,037

18. TRADE AND OTHER RECEIVABLES

	The Group 2011 RMB'000	2010 RMB'000
Trade receivables	941,380	658,656
Bills receivable	12,302	1,053
Prepayments, deposits and other receivables	29,555	33,534
	983,237	693,243

All of the trade and other receivables except for retentions held by customers of RMB114,469,000 (2010: RMB61,120,000) 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(k)(i)).

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

	The Group 2011 RMB'000	2010 RMB'000
At 1 January	4,595	4,489
Impairment loss recognised	–	106
At 31 December	4,595	4,595

18. TRADE AND OTHER RECEIVABLES (continued)

(a) Impairment of trade receivables and bills receivable (continued)

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, externals ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

(b) Ageing analysis

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Current	**740,962**	479,031
Less than 3 months past due	**50,644**	29,928
More than 3 months but less than 6 months past due	**79,960**	112,419
More than 6 months but less than 1 year past due	**58,748**	29,918
More than 1 year past due	**23,368**	8,413
Amounts past due	**212,720**	180,678
	953,682	659,709

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, the directors believe 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 involved and background of each overdue debtor and determined that no additional 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 23) and quality guarantee issued to customers. These deposits will be released upon settlement of relevant bills payable or expiry of relevant quality guarantee period.

20. AVAILABLE-FOR-SALE INVESTMENT

At 31 December 2011, the available-for-sale investment represented an investment product issued by a financial institution in the PRC. The product matured on 3 February 2012.

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Time deposits with original maturity within three months	**172,587**	129,480	**–**	–
Cash at bank and in hand	**480,223**	138,613	**2,724**	429
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	**652,810**	268,093	**2,724**	429
Time deposits with original maturity over three months	**–**	658,954	**–**	–
	652,810	927,047	**2,724**	429

At 31 December 2011, the balances that were placed with banks in the PRC amounted to RMB647,064,000 (2010: RMB924,733,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (continued)

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

	Note	2011 RMB'000	2010 RMB'000
Profit before taxation		295,254	215,789
Adjustments for:			
– Amortisation of intangible assets	6(c)	5,185	39
– Amortisation of lease prepayments	6(c)	707	368
– Depreciation	6(c)	11,007	5,052
– Finance costs	6(a)	183	2,783
– Investment income	5	(753)	–
– Interest income	5	(28,709)	(8,251)
– Net gain on disposal of property, plant and equipment		(2)	(3)
– Impairment losses for trade receivables	6(c)	–	106
– Impairment losses for other receivables written back	6(c)	–	(40)
– Equity-settled share-based payment expenses	26	4,024	–
– Gain on acquisition of a subsidiary	29	(24,382)	–
– Net foreign exchange losses		2,068	–
Changes in working capital:			
– (Increase)/decrease in inventories		(25,907)	5,342
– Increase in trade and other receivables		(253,294)	(474,185)
– Net change in amounts due to/from related parties		(5,296)	1,229
– Net (decrease)/increase in amounts due to directors		(349)	420
– Increase in trade and other payables		38,320	51,667
Cash generated from/(used in) operations		18,056	(199,684)

22. BANK LOANS

At 31 December 2011, all of the bank loans were unsecured and repayable within 1 year with effective interest rates from 5.27% to 6.10% (2010: Nil).

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**401,199**	313,792	**–**	–
Bills payable	**12,964**	11,028	**–**	–
Receipts in advance	**5,046**	4,203	**–**	–
Other payables and accruals	**45,498**	48,304	**175**	–
	464,707	377,327	**175**	–

Bills payable as at 31 December 2011 and 2010 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 ranged from 15 to 180 days.

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due within 1 month or on demand	**380,439**	292,482	**175**	–
Due after 1 month but within 3 months	**31,515**	32,338	**–**	–
Due after 3 months but within 6 months	**2,209**	–	**–**	–
	414,163	324,820	**175**	–

24. AMOUNT DUE FROM A SUBSIDIARY

The amount was unsecured, interest free and had no fixed repayment terms.

25. 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 authorities whereby these PRC subsidiaries are required to make a contribution at 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 ("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.

26. SHARE AWARD SCHEME

Pursuant to a resolution of the board of directors (the "Board") meeting dated 17 June 2011, the Board approved the adoption of a share award scheme (the "Scheme") under which shares of the Company may be awarded to selected employees in accordance with its provisions. The Scheme operates for 10 years starting from 17 June 2011. The maximum number of shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued shares as at the adoption date (being 7,781,250 shares).

The shares awarded under the Scheme will be offered to the selected employee for no consideration but subject to certain conditions.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Scheme. The total number of all shares purchased by the trustee under the Scheme must not exceed 10% of the issued shares as at the adoption date.

Movement in the number of shares held under the Scheme is as follows:

	Number of shares held '000	**Amount** RMB'000
At 1 January 2011	–	–
Purchase during the year	13,722	42,027
Shares granted to employees and fully vested during the year	(2,920)	(10,224)
At 31 December 2011	10,802	31,803

On 10 October 2011, the Board resolved to grant a total of 2,920,000 shares to seven employees of the Group. Details are as follows:

Grant date	**Vesting date**	**Number of shares vested** '000	**Average fair value per share** HK$	**Fair value of shares awarded** RMB'000
11 October 2011	25 October 2011	2,920	1.69	4,024

The fair value of the shares awarded on the grant date is determined with reference to a number of factors including the market price of the Company's share and the lock up period of these shares awarded.

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2011 RMB'000	2010 RMB'000
Provision for PRC income tax	**15,301**	10,040

27. 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 RMB'000	Unrealised profits of intragroup sales RMB'000	Unremitted profits of PRC subsidiaries RMB'000	Fair value adjustments of assets RMB'000	Others RMB'000	Total RMB'000
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
At 1 January 2011	1,137	62	–	–	539	1,738
Acquisition of a subsidiary (note 29)	–	–	–	(8,301)	–	(8,301)
Credited to profit or loss (note 7(a))	–	234	–	1,826	103	2,163
At 31 December 2011	1,137	296	–	(6,475)	642	(4,400)

	2011 RMB'000	2010 RMB'000
Representing:		
Net deferred tax assets	2,075	1,738
Net deferred tax liabilities	(6,475)	–
	(4,400)	1,738

(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 2011, deferred tax liabilities of RMB19,163,000 (2010: RMB9,818,000) in respect of temporary differences relating to such undistributed profits of RMB383,255,000 (2010: RMB196,359,000) 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.

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2011 and 2010.

28. 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 beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losess RMB'000	Total RMB'000
At 12 February 2010 (date of incorporation)	28(c)(iii)	–	–	–	–	–	–	–	–
Shares issued for Reorganisation	28(c)(iii)	1	–	6	–	–	–	–	7
Capitalisation issue	28(c)(iv)	47,986	–	(47,986)	–	–	–	–	–
Shares issued under placing and public offering, net of issuing expenses	28(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

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losess RMB'000	Total RMB'000
At 1 January 2011		66,382	–	1,000,172	–	–	(9,497)	(1)	1,057,056
Dividends approved in respect of the previous year		–	–	(45,372)	–	–	–	–	(45,372)
Repurchase of shares	28(c)(vi)	(141)	–	(3,357)	–	141	–	–	(3,357)
Equity-settled share-based transaction	26		–	–	4,024	–	–	–	4,024
Shares purchased for share award scheme	26	–	(42,027)	–	–	–	–	–	(42,027)
Vesting of shares granted under share award scheme	26	–	10,224	–	(10,224)	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	(40,961)	(16)	(40,977)
At 31 December 2011		66,241	(31,803)	951,443	(6,200)	141	(50,458)	(17)	929,347

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2011 RMB'000	2010 RMB'000
Dividend proposed after the end of the reporting period of HK10 cents per share (2010: HK7 cents)	**62,836**	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; and

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2011 RMB'000	2010 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year, of HK7 cents per share (2010: Nil)	**45,372**	–

(c) Share capital

(i) The share capital as at 1 January 2010 amounted to RMB7,511,000 represented the aggregate amount of paid-in capital of the then companies 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.

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) (continued)

Details of authorised and issued share capital are as follows:

	2011 HK$'000	2010 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000

	Note	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares 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 and 1 January 2011		**0.10**	**778,125**	**77,813**	**66,382**
Repurchase of shares	(c)(vi)	**0.10**	**(1,656)**	**(166)**	**(141)**
At 31 December 2011		**0.10**	**776,469**	**77,647**	**66,241**

(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 12 February 2010, the Company was incorporated which one share was issued and subsequently transferred to the King Able Limited ("King Able") and 999 shares were issued and allotted to King Able as fully paid.

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 of US$1,000 (approximately equivalent to 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 equivalent of HK$100,000 (equivalent to RMB90,000) was deducted from the share capital.

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(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.

(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 with 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.

(vi) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	
		HK$	HK$	HK$'000	RMB'000
August 2011	1,000,000	2.42	2.38	2,412	1,976
September 2011	656,000	2.57	2.52	1,684	1,381
				4,096	3,357

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB141,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$3,931,000 (equivalent to RMB3,216,000) was charged to share premium.

(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.

28. CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(ii) Shares held for share award scheme

Shares held for share award scheme comprised shares purchased and held which will be awarded to selected director and employees in accordance with share award scheme.

(iii) Employee share-based compensation reserve

Employee share-based compensation reserve represents the fair value of employee services in respect of share granted to certain directors and employees of the Group.

(iv) 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.

(v) Capital reserve

The capital reserve comprised the excess on transfer of equity from non-controlling interests in Boer Yixing, Boer Wuxi and Yixing Boai over purchase considerations prior to 1 January 2011.

(vi) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(vii) 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(v).

(e) Distributability of reserve

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,068,967,000 (2010: HK$1,173,436,000). After the end of the reporting period the directors proposed a final dividend amounting to RMB62,836,000 (note 28(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.

29. ACQUISITION OF A SUBSIDIARY

During the year, in order to expand the Group's upstream component production capability, the Group entered into an equity transfer agreement with the vendor to acquire 100% equity interest in Wuxi Tezhong, which is engaged in the manufacture and sale of capacitors, at a cash consideration of RMB62,000,000.

Acquisition-related costs of RMB150,000 had been recognised as expenses and included in administrative expenses in the Group's consolidated statement of comprehensive income.

The fair values of the identifiable assets and liabilities of Wuxi Tezhong at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	33,170
Intangible assets	20,645
Lease prepayments	3,200
Inventories	13,961
Trade and bills receivables	38,584
Prepayments, deposits and other receivables	30,944
Cash at bank and in hand	26,331
Trade and bills payables	(3,612)
Accruals and other payables	(64,440)
Current taxation	(4,100)
Deferred tax liabilities	(8,301)
Net identifiable assets acquired	86,382
Gain on acquisition	(24,382)
Consideration for the acquisition	62,000
Net cash outflow arising on acquisition:	
Cash consideration	62,000
Cash at bank and in hand acquired	(26,331)
	35,669

The Group recognised a gain on acquisition of a subsidiary of RMB24,382,000 because of different valuations of intangible assets by the Group and the vendor.

Wuxi Tezhong contributed RMB90,483,000 to the Group's turnover and profit of RMB23,368,000 to the Group's results for the period between the date of acquisition and the year end.

If the acquisition had occurred on 1 January 2011, the Group's turnover for the year would have been approximately RMB1,020,586,000 and profit for the year would have been approximately RMB254,835,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition occurred on 1 January 2011, nor is intended to be a projection of future results.

30. 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 8% (2010:18%) of the Group's revenue is attributable to sales transactions with a single customer for the year ended 31 December 2011. 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 7% and 22% (2010: 20% and 37%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2011.

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 Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30. 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

	2011			2010		
	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	**38,163**	**39,803**	**39,803**	–	–	–
Trade and other payables	**464,707**	**464,707**	**464,707**	377,327	377,327	377,327
Amounts due to directors	**–**	**–**	**–**	425	425	425
Amounts due to related parties	**2,878**	**2,878**	**2,878**	4,228	4,228	4,228
	505,748	**507,388**	**507,388**	381,980	381,980	381,980

(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 and bank loans held as at 31 December 2011. All of the bank loans were repaid as at 4 January 2012.

(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.

During the year ended 31 December 2011, the Group borrowed a foreign currency loan amounted to EUR20,000,000 which was partly repaid before end of the financial reporting period. At 31 December 2011, the outstanding balance of the loan amounted to EUR1,000,000 (equivalent to RMB8,163,000). Management considered the exposure to currency risk arising from such loan balance is not significant as the loan was fully repaid as at 4 January 2012.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

31. CONCENTRATION OF SUPPLIERS

The Group has a certain concentration of suppliers as 29% (2010: 43%) of the total raw materials were purchased from a single supplier for the year ended 31 December 2011. 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.

32. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	2011 **RMB'000**	2010 RMB'000
Authorised but not contracted for	**271,890**	270,610

(b) Operating lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 **RMB'000**	2010 RMB'000
Within 1 year	**2,180**	1,818
After 1 year but within 5 years	**6,434**	3,933
After 5 years	**2,549**	3,396
	11,163	9,147

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 leases includes contingent rentals.

33. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, the directors are of the view that the following 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. 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" or "Shanghai Boer")	Subsidiary of Wuxi Boer Power Instrumentation Company Ltd.* ("無錫博耳電力儀錶有限公司" or "Wuxi Boer")
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
Wuxi Boer	Effectively 80% and 20% owned by Mr. Qian Yixiang and Mr. Qian Zhongming respectively
Wuxi Weiqi Trading Co., Ltd.* ("無錫為琪貿易有限公司" or "Wuxi Weiqi")	Effectively 90% and 10% owned by Ms. 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.

(a) Related party transactions

The Group had the following significant transactions with related parties:

	2011 RMB'000	2010 RMB'000
Sales to Shanghai Changcheng	800	–
Sales to Shanghai Boer	7,731	3,584
Purchases of raw materials from Shanghai Boer	14,703	7,398
Rental expenses to Wuxi Boer	847	847

33. 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) Amount due from a related party

	2011 RMB'000	2010 RMB'000
Trade receivable from Shanghai Boer	3,946	–

(ii) Amounts due to related parties

	2011 RMB'000	2010 RMB'000
Trade payable to		
Shanghai Boer	2,878	1,727
Non-trade related payable to		
– Mr. Qian Yixiang	–	150
– Ms. Jia Lingxia	–	104
– Mr. Qian Zhongming	–	141
– Mr. Zha Saibin	–	30
– Mr. Jia Minghao	–	1
– Wuxi Weiqi	–	2,500
	2,878	4,653

The amounts due from/to related parties as at 31 December 2011 and 2010 were unsecured and interest free. Trade receivable from/payable to Shanghai Boer were due within 60 days from the date of billing.

(c) 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:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	7,354	5,188
Contributions to defined contribution retirement plans	184	132
Equity-settled share-based payment expenses	538	–
	8,076	5,320

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

(Expressed in Renminbi unless otherwise indicated)

33. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal governments for its employees in the PRC and operates the MPF scheme for its employees in Hong Kong. The details of these defined contribution retirement plans are described in note 25.

There were no material outstanding contributions to post-employment benefit plans as at 31 December 2011 and 2010.

34. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be King Able Limited, incorporated in the BVI, and Mr. Qian Yixiang and Ms. Jia Lingxia (the controlling shareholders) respectively. King Able Limited does not produce financial statements available for public use.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 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
Amendments to HKFRS 7	*Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 1	*Presentation of financial statement – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9	*Financial instruments*	1 January 2013
HKFRS 10	*Consolidated financial statements*	1 January 2013
HKFRS 12	*Disclosure of interests in other entities*	1 January 2013
HKFRS 13	*Fair value measurement*	1 January 2013
HKAS 27	*Separate financial statements (2011)*	1 January 2013
Revised HKAS 19	*Employee benefits*	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.