# 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

美丽中国 BEAUTIFUL CHINA


2012

ANNUAL REPORT

# 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

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

## HEADQUARTERS AND HEAD OFFICE IN THE PRC

Luoyang Road
Yangshi Industrial Park
Huishan District
Wuxi City
Jiangsu Province
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## HONG KONG SHARE REGISTRAR

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

## COMPANY'S WEBSITE

www.boerpower.com

# FINANCIAL SUMMARY

| | 2012<br>RMB'000 | 2011<br>RMB'000 | 2010<br>RMB'000 | 2009<br>RMB'000 | 2008<br>RMB'000 |
|---|---|---|---|---|---|
| **Turnover and Profit** | | | | | |
| Turnover | **1,221,214** | 1,014,589 | 911,059 | 490,716 | 405,514 |
| Profit before taxation | **324,437** | 295,254 | 215,789 | 100,554 | 66,151 |
| Income tax | **(30,296)** | (42,276) | (28,563) | (15,331) | (12,800) |
| Profit for the year | **294,141** | 252,978 | 187,226 | 85,223 | 53,351 |
| Profit attributable to: | | | | | |
| Equity shareholders of the Company | **294,141** | 252,978 | 180,107 | 76,403 | 51,557 |
| Non-controlling interests | **–** | – | 7,119 | 8,820 | 1,794 |
| Dividends-proposed final | **74,580** | 62,836 | 46,688 | – | – |
| **Assets and Liabilities** | | | | | |
| Non-current assets | **314,834** | 269,376 | 89,410 | 63,246 | 76,232 |
| Current assets | **2,078,927** | 1,770,485 | 1,668,967 | 548,215 | 464,465 |
| Current liabilities | **(650,146)** | (521,049) | (392,020) | (406,277) | (357,100) |
| Non-current liabilities | **(5,968)** | (6,475) | – | (1,439) | (1,882) |
| Net assets | **1,737,647** | 1,512,337 | 1,366,357 | 203,745 | 181,715 |
| Equity attributable to: | | | | | |
| Equity shareholders of the Company | **1,737,647** | 1,512,337 | 1,366,357 | 172,155 | 175,990 |
| Non-controlling interests | **–** | – | – | 31,590 | 5,725 |

The figures for the two financial years ended 31 December 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 annual results of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

Basing the strategy on "change" and "persistence", year 2012 had been a critical turning point for the development of Boer Power. The Group had been carrying out business integration since two years ago to shift its business focus to the higher gross profit margin Intelligent Electrical Distribution System Solutions ("iEDS Solutions"). We had been taking a number of proactive measures to strengthen the sales team and marketing effort, by providing training to enhance sales staff's marketing capabilities, broaden distribution network and improve the effect of brand promotion through different platforms. While increasing the overall gross profit of Boer Power, this development strategy also expanded our presence in regional markets and market share in the high-end market. The Group's strategy in business integration was on the right track, and this was fully reflected in our business development capacity and in the Group's profits.

With the growing demand for energy from the global market, conventional power transmission and electrical distribution technologies will not be sufficient to meet current needs. In view of this, the Group actively developed energy saving products and continued to enhance the technological and energy saving efficiency. Last year, we successfully launched various products and systems to the market, including iBV, LVset, MVset, Boer Cloud System and Sydenham products, which have built up the brand image of energy-saving, environmental friendliness and intelligence for customers. In addition, Boer Power successfully integrated the advanced cloud technology with the Intelligent Electrical Distribution Management System to fully enhance corporate energy saving and achieve safe, sustainable and efficient use of electricity by data analysis, so as to align with the trend of emission reduction and environmental protection.

For a long time, Boer Power has been pursuing a company mission of "protecting and improving the environment of the Earth", and the recent amendments to the Emission Standard of Air Pollutants for Thermal-powered Plants by the Ministry of Environmental Protection of the PRC strongly support Boer Power in expanding its development in the field of environmental protection. On 4 February 2013, Boer Power was selected by Macquarie as one of the twelve "Beautiful China" listed companies, recognising our contribution in promoting energy conservation and emission reduction to the market. Boer Power is committed to making greater contribution to the social activities in building a "Beautiful China".

Boer Power has been building long-term relationship with our customers. Over the years, we have maintained stable relationship with leading domestic and international players including China Mobile, China Unicom, Carrefour, Sinoma and others, and expanded the scopes of cooperation with our partners. We successfully increased our market shares in the 18 provinces and cities covered by China Mobile last year, and continued to assist in McDonald's nationwide expansion of energy efficiency management system as well as providing energy saving projects to various government bodies and urban utilities.

We recognised the needs of our customers and actively work towards developing new customer base and industries. Currently, we have extended our services to transportation, commercial buildings, industrial and mining enterprises. Last year, the Group secured the construction and energy supply project of the Wuxi Metro Line 2 and the power transmission project of Beijing Data Centre and East China Data Centre to provide iEDS Solutions, strengthening our leading position in the field of high-end energy saving technology.

Against the backdrop of implementing the smart grid transformation in China, the Group captured the opportunity to strengthen our promotion and advertising strategies, establishing connections with more customers in new markets through our downstream sales channel and promoting various smart products. Last year, the Group arranged various exhibitions in provinces such as Guangxi, Yunnan and Sichuan, etc. We organised new product presentations for the Shanghai Design Institute and participated in the "2012 Wuxi Electrical Construction Annual Meeting", "EP China 2012" and "2012 Guangzhou International Electrical Energy Saving and Equipment Exhibition", expanding the regional markets for Boer Power's products. The Group also organised "Boer Power Baosteel Promotion Event" in Shanghai, introducing a number of energy saving products to leading steel group in China, and organised "Boer Power Group 2012 Customer Conference" in Yixing, introducing the newly developed "iCloud" Intelligent Electrical Distribution Management System. With the Group expanding its sales network coverage, there has been significant business growth in the northwest and southwest parts of China.

As for the integration of internal resources, in order to improve the overall level of management, the Group completed the integration of internal logistics and optimised the management of procurement, production and sales procedures. During the year, the Group's indirect wholly-owned subsidiary, Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), entered into an equity transfer agreement with Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"), in order to acquire the 100% equity interest in Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd ("Shanghai Boer"). The acquisition can enhance the Group's upstream component production innovation and capabilities, improve product quality and provide strong support for the Group in entering the high-end market, thereby benefiting the long-term development of the Group.

Lastly, on behalf of Boer Power, I would like to express our gratitude to the Board, the management and our staff for their unity in overcoming all kinds of challenges during the past year. Our success over the years lies on the lasting support from our customers and business partners and the unswerving trust given by investors and shareholders. In the coming year, we will continue to make use of our own advantages and seize onto business opportunities, in order to bring the Group's business to new heights and work towards the target of developing "Centennial Boer".

**Qian Yixiang**
*Chairman*

26 March 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In 2012, despite the continued instability of the global economy caused by the European debt and the fiscal cliff crisis in the United States, China maintained its pace of growth in its overall economy and became one of the critical momentums in driving the global economic growth.

During the year, the gross domestic product of China reached RMB51.9 trillion, representing an increase of 7.8% as compared to 2011. The fixed asset investment (excluding investment in agriculture) increased by 20.6% and reached approximately RMB36.5 trillion. Increasingly active commercial and social activities have also driven power generation volume in China to new heights of approximately 4.9 trillion kWh, representing an increase of 4.8% as compared to 2011. Under the stimulation of the economic growth and growth of the fixed asset investment, the number of physical locations of domestic electricity consumption and the actual volume of electricity consumption are continuously increased, which also resulted in a boost in the development of the power transmission and electrical distribution market.

## BUSINESS 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").

During the year, the Group continued to focus on the strategy of development in business segments with higher gross profit margin, including the development of iEDS Solutions, EE Solutions and CSP Business. The Group has improved its overall competitive advantages, its market position and the brand value and introduced energy saving product solutions with new technology to meet the needs of customers in response to the continuous demand for the highly efficient intelligent electrical distribution system in the market.

In view of the increasing competition in the market, the Group has focused on the development in business segments with higher gross profit margin, which contributed to a sustainable improvement to the Group's turnover and gross profit margin over the year. Last year, the Group focused on the research and development of high-end energy saving solutions, including the upgrading of energy management and remote control system, and improved the product technologies, which resulted in the establishment of a distinctive brand image with an impression of energy-saving, environmental friendliness and intelligence. In addition, the Group became one of the few suppliers in China which successfully used iCloud technology in their electrical distribution system and successfully launched "iCloud" Intelligent Electrical Distribution Management System to improve and manage the energy efficiency for customers.

The Group continued to enhance the publicity and promoted new products and technology, holding various promotional events and exhibitions for the introduction of its products and technology to the existing and potential customers during the year, which presented the Group an opportunity to further understand about the demand of its customers, and to provide a platform to enter into new industry markets and launch new products to increase the visibility of the brand in the market. For example, the Group held a "Boer Power Group 2012 Customer Conference" to introduce the new "iCloud" Intelligent Electrical Distribution Management System in the past year. The Group also expanded its sales territory through promotional events which would result in the northwest and southwest markets becoming Boer Power's new areas for growth.

As at 31 December 2012, the Group's outstanding contract backlog amounted to approximately RMB973.8 million, which comprises of iEDS Solutions, EE Solutions and CSP Business segment contracts, mainly from customers in industries of data centers, telecommunication and railway transit. Most of the outstanding contract backlog is expected to be completed by 2013.

The Group achieved significant growth during the year. The total turnover of the Group amounted to RMB1,221,214,000 for the year ended 31 December 2012, representing an increase of 20.4% as compared to that of 2011. The increase in turnover was mainly a result of the increase in market demand of the Group's solutions and products and the expansion of sales network.

The total profit attributable to the equity shareholders of the Company amounted to RMB294,141,000 for the year ended 31 December 2012, representing an increase of 16.3% as compared to that of 2011. Excluding non-operational contributions from "Other revenue" and "Gain on acquisition of a subsidiary", the profit attributable to the equity shareholders of the Company amounted to approximately RMB262.8 million for year ended 31 December 2012, representing an increase of 38.1% as compared to that of 2011. The increase in profit from operations of the Group was mainly due to the substantial increase in revenue contribution from the iEDS Solutions and EE Solutions segments.

As at 31 December 2012, the total assets of the Group were RMB2,393,761,000 (31 December 2011: RMB2,039,861,000) while the total liabilities were RMB656,114,000 (31 December 2011: RMB527,524,000) and the total equity of the Group amounted to RMB1,737,647,000 (31 December 2011: RMB1,512,337,000).

## OPERATION AND FINANCIAL REVIEW

Other than EDS Solutions, all the other three business segments performed well and in particular, sound performance and significant growth were recorded for EE Solutions during the year.

### EDS Solutions

Electrical distribution system lies between grid and end users to distribute electricity at converted voltage for end users. The Group provides 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. The Group's 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 2012 amounted to RMB20,228,000 (2011: RMB18,118,000), representing 1.7% (2011: 1.8%) of the Group's total turnover for the year. A slight increase in the sales of EDS Solutions of 11.6% was recorded. The reportable gross profit of this business segment was RMB5,325,000 (2011: RMB5,109,000), representing an increase of 4.2% as compared to that of 2011.

The gross profit margin of EDS Solutions segment decreased from 28.2% for 2011 to 26.3% for the year due to increased intensity of the competition in the EDS Solutions market as a result of fewer large EDS Solutions projects coming to market.

### iEDS Solutions

On top of EDS Solutions, the Group also provides 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 2012 was RMB845,407,000 (2011: RMB745,132,000), which accounted for approximately 69.2% (2011: 73.4%) of the Group's total turnover for the year. The increase in the sales of iEDS Solutions of 13.5% for the year ended 31 December 2012 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. The reportable gross profit of this business segment was RMB312,308,000 (2011: RMB280,562,000), representing an increase of 11.3% as compared to that of 2011.

The gross profit margin of iEDS Solutions segment decreased slightly from 37.7% for 2011 to 36.9% for the year.

### EE Solutions

Based on the data collected by the electrical distribution systems using its iEDS Solutions, the Group can analyse and improve the safety, stability and efficiency of its customers' electrical distribution systems and provide equipment and systems to improve the energy efficiency of its customers' electrical distribution systems. 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 2012 was RMB150,909,000 (2011: RMB65,894,000), which accounted for approximately 12.3% (2011: 6.5%) of the Group's total turnover for the year. The substantial increase in the sales of EE Solutions was a result of 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 RMB73,227,000 (2011: RMB32,285,000), representing an increase of 126.8% as compared to that of 2011.

The gross profit margin of EE Solutions segment decreased slightly from 49.0% for 2011 to 48.5% for the year.

### CSP Business

The Group also manufactures spare parts and components for electrical distribution equipment and systems and sells such spare parts and components to its customers.

The total sales of CSP Business of the Group for the year ended 31 December 2012 were RMB204,670,000 (2011: RMB185,445,000), which accounted for approximately 16.8% (2011: 18.3%) of the Group's total turnover for the year. The increase in the sales of CSP Business of 10.4% for the year ended 31 December 2012 was mainly a result of efforts in expanding the components manufacturing capability and business. The reportable gross profit of this business segment was RMB58,931,000 (2011: RMB58,105,000), representing an increase of 1.4% as compared to that of 2011.

The gross profit margin of CSP Business segment decreased from 31.3% for 2011 to 28.8% 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 the CSP Business.

## PROSPECT

The PRC Government has outlined the key areas in energy saving and emission reduction in the "12th Five-Year Plan". According to the National Energy Administration, the total electricity consumption in China amounted to 4.9 trillion kWh, representing an increase of 5.5% as compared to the previous year. The total electricity consumption growth is expected to reach over 9% in 2013. Energy saving and emission reduction becomes one of the important tasks in the society as a result of the huge demand of electricity. The State Council has included seven industries such as energy conservation and environmental protection and new energy into the group of strategic emerging industries.

Currently, the urbanisation in mainland is entering into a rapid development stage. The “12th Five-Year Plan” also clearly indicated that the urbanisation is the main driver for China’s economic growth in the future, and smart city is expected to be the focus of the development. With the growing urban population, the disposable income of residences gradually increases which raises the demand of electricity. In addition, China has implemented a new “tariff tier” in 29 provinces and cities since 1 July 2012 to promote and encourage energy saving and emission reduction practices in households by charging tariff in three tiers based on the level of electricity consumption. The State Council has also posed the target of energy saving and emission reduction in the “12th Five-Year Plan” – to reduce the energy consumption per unit of gross domestic product by 16% in 2015 as compared with that in 2010. The aforesaid factors will speed up the development of the energy conservation and environmental protection industry and lead to strong demand for energy saving systems, intelligent power transmission, electrical distribution systems and products which will bring unprecedented opportunities for the future business development of the Group.

In the coming years, the Group will continue to strengthen the strategy of developing the high-end market, and expand to more industries and geographical areas by employing downstream sales channel. The Group will also actively explore new room for development from such industries as railway transit, commercial buildings, banks, medical and energy in order to expand the application of its products and systems and explore with its existing customers for further cooperation.

While promoting its own business development, the Group will also identify opportunities for mergers and acquisitions and at the same time invest more resources in the research and development of energy efficiency solutions and products for the sustainable growth in the long run.

The fast pace of development of the high-end domestic power industry brings numerous business opportunities. Looking forward, the Group will continue to capitalise the competitive edges created by its focused business development strategy and solid business foundation to consolidate its 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, time deposits with original maturity over three months, available-for-sale investments, trade and other receivables and trade and other payables. As at 31 December 2012, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB382 million (31 December 2011: RMB653 million), RMB1,429 million (31 December 2011: RMB1,249 million) and RMB1,744 million (31 December 2011: RMB1,519 million), respectively. As at 31 December 2012, the Group had no bank loans (31 December 2011: RMB38 million).

Starting from the second half of this year, the Group began to adopt bank factoring of trade receivables due from selected customers with good credit record to better manage its cash flow and working capital resources.

## CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any contingent liabilities.

## FINANCIAL MANAGEMENT POLICIES

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 and the impact of foreign currency risk on the Group’s total sales is minimal.

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Company's indirect wholly-owned subsidiary, Boer Wuxi, entered into equity interest transfer agreement with Wuxi Boer, pursuant to which Boer Wuxi acquired the 100% equity interest in Shanghai Boer, a company established in the PRC, at a consideration of RMB10,218,000.

## EMPLOYEES AND REMUNERATION POLICY

The Group had 1,294 (2011: 1,199) employees as at 31 December 2012. The total staff costs for the year under review were approximately RMB78 million (2011: RMB58 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 2012, approximately RMB183 million, RMB121 million, RMB68 million, RMB5 million, RMB14 million and RMB106 million of the proceeds were used for expanding the upstream component production capability, expanding the downstream sales channel and market segment in China, paying the outstanding balance of the consideration in relation to the construction and completion of the new plant, purchasing of equipment in the new plant, purchasing of equipment and software in providing more efficient EE Solutions and funding the Group's working capital and other general corporate purposes, respectively. The unused balance of the proceeds of approximately RMB517 million are currently 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 the 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 RMB121 million for expanding the downstream sales channel and market segment in China by setting up a new division, purchasing land and research and development of new products in its existing subsidiary, instead of setting up new companies or carrying out acquisition. The Company considers that the use of such RMB121 million is in line with the strategy and future plans of the Group to expand the 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 downstream sales channel and market segment.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### QIAN Yixiang

**QIAN Yixiang**, aged 39, is an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Qian Yixiang was appointed as a Director of the Board on 12 February 2010 and as a member of the Company's Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Qian Yixiang 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 Yixiang is primarily responsible for the overall management and strategic development of our Group. Mr. Qian Yixiang joined Wuxi Boer, the predecessor entity of the Group, in July 1995 and became the General Manager of Wuxi Boer in January 1998. Since he first joined Wuxi Boer in July 1995, Mr. Qian Yixiang has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian Yixiang graduated from Jiangnan University with a Diploma in Business Management in 1995. Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

### JIA Lingxia

**JIA Lingxia ("Ms. Jia")**, aged 39, is an Executive Director and the Chief Operating Officer of the Company. Ms. Jia was appointed as a Director of the Board on 12 February 2010 and as a member of the 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 ("Mr. Zha")**, aged 46, is an Executive Director and a Vice President of the Company responsible for new products development. Mr. Zha was appointed as a Director of the Board on 12 February 2010. Mr. Zha is also a 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 ("Mr. Qian")**, aged 66, is an Executive Director and a Vice President of the Company responsible for assisting Mr. Qian Yixiang in the formulation of the strategic development plans of the Group. Mr. Qian was appointed as a Director of the 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.

### HUANG Liang

**HUANG Liang ("Mr. Huang")**, aged 39, is an Executive Director and Chief Financial Officer of the Company. Mr. Huang was appointed as a Director of the 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 as the Assistant Manager of Wuxi Zhengzhuo CPAs Ltd., currently known as Jiangsu Zhengzhuo Hengxin 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.

### ZHANG Huaqiao

**Zhang Huaqiao ("Mr. Zhang")**, aged 50, joined the Board as a Non-executive Director on 9 November 2011 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 9 November 2011. Mr. Zhang ceased to be a member of the Company's Remuneration Committee and Nomination Committee on 1 February 2012. He is currently an Independent Non-executive Director of Fosun International Limited (Stock Code: 656) and Zhongan Real Estate (Stock Code: 672), both of which are listed on the Main Board of the Stock Exchange and a Non-executive Director of Oriental City Group Holdings Limited (Stock Code: 8325) which is listed on the GEM Board of the Stock Exchange. He has also become a Director of Nanjing Central Emporium Stocks Company Limited (Stock Code: 600280) since 28 February 2013 which is listed on the Shanghai 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 Stock Exchange, between September 2011 to April 2012. Mr. Zhang was the Chairman of Guangzhou Wansui Micro Credit Co., Ltd., between June 2011 and July 2012.

Mr. Zhang obtained a Master's degree in Economics 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 ("Mr. Yeung")**, aged 43, joined the 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 ("Mr. Tang")**, aged 49, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Tang is currently a professor and the vice dean in the School of Business and 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. Neither was Mr. Tang involved in the negotiation of the cooperation agreement. 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 ("Mr. Zhao")**, aged 40, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as a member of the 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 benefit 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

### ZHANG Jiaqing

**ZHANG Jiaqing ("Mr. Zhang")**, aged 48, is the Vice President of Sales of the Group. Mr. Zhang joined Wuxi Boer in June 2004 as the Sales Supervisor concentrating on sales in southern China and was appointed as the Vice President of Sales in August 2012. 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 Electric (China) Co., Ltd. from October 1997 to June 2004. During his time with Schneider Electric (China) Co., Ltd., 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.

### MA Yuxin

**MA Yuxin ("Mr. Ma")**, aged 45, has been the Overseas Sales Director of the Group since he joined Boer Power in April 2012. From August 1994 to December 2003 and from August 2006 to February 2012, Mr. Ma worked with Schneider Electric (China) Co., Ltd., ultimately becoming the Data Center Solutions Director. From February 2004 to August 2006, Mr. Ma worked as Operation Manager in Schneider Shanghai Distribution Center & Schneider (Shanghai) Supply Co., Ltd. Mr. Ma received a Bachelor's degree in Engineering with a major in High Voltage Transmission and Distribution in 1990 from Shen Yang Polytechnic University.

### Antonio MACERA

**Antonio MACERA ("Mr. Macera")**, aged 61, is the Vice President of Operations of the Group. Mr. Macera joined Boer Power in April 2012 as the Vice President of Operations. From 1975 to December 2011, Mr. Macera worked with Schneider Electric (China) Co., Ltd., ultimately becoming the delegate director of project and services and energy efficiency. Mr. Macera possesses diversified experience in electrical distribution, automation and advanced services in industry, buildings and infrastructure.

### ZHANG Jianqi

**ZHANG Jianqi ("Ms. Zhang")**, aged 49, is the Vice President of Strategic Development of the Group. Ms. Zhang joined Wuxi Boer in March 2003 as the Sales Supervisor concentrating on sales in North China and was appointed as the Vice President of strategic development in August 2012. 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 Electric (China) Co., Ltd. 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.

### AN Di

**AN Di ("Mr. An")**, aged 39, is the Human Resources Director of the Group. Mr. An joined the Group in March 2005 and was appointed as Assistant to General Manager and the Head of Internal Compliance of Wuxi Boer in November 2009 and as the Human Resources Director in October 2012. Since he joined the Group in March 2005, Mr. An has gained experience in overlooking the implementation of internal compliance and human resources matters. Prior to joining the Group, Mr. An had been an Assistant to the Factory Director of Tianshui Cheungcheng General Electric Apparatus Factory. Mr. An graduated from Xian Jiaotong University with a diploma in Jurisprudence in 2006.

## WU Chang

**Wu Chang ("Mr. Wu")**, aged 43, is the Customer Center Director of the Group. Mr. Wu is mainly responsible for project tender quotation management, and execution of project contract management. Mr. Wu joined Wuxi City Instrumentation System Works in July 1995, he was appointed as Project Manager of Boer Wuxi in March 2003 and as Quality Control department's Manager of Boer Power in June 2008. In September 2012, Mr. Wu was promoted to Customer Center Director of the Group. Mr. Wu graduated from Suzhou Sericulture College in 1993.

## LI Xianli

**LI Xianli ("Mr. Li")**, aged 39, 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 Supervisor 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.

## HAN Weidong

**HAN Weidong ("Mr. Han")**, aged 46, is the Technology Director of the Group, and is mainly responsible for developing and implementing the technology and quality system regulations and rules, establishment of a quality management system, periodic technical analysis and quality analysis and the development of preventive and corrective measures. Mr. Han joined Boer Wuxi in January 2005 as a Deputy General Manager and was appointed as Technology Director in July 2012 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 an 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 Electric (China) Co., Ltd. from September 1998 to November 2004. Mr. Han received a Bachelor's degree in Engineering from North China Electric Power University in 1990.

## GONG Wei

**GONG Wei ("Mr. Gong")**, aged 42, is the Service Center Director of the Group. Mr. Gong is mainly responsible for after-sales service and value-added business management and development of the company's products and services. Mr. Gong joined Boer Power in August 2012 as the Service Center Director. Prior to joining the Group, Mr. Gong worked as a Commercial Director for ALSTOM Grid China Service Centre. As the chief of the Commercial Department of the Service Center, he was in charge of the commercial business including tendering and sales of the after-sales service after warranty for all the MV and LV products and systems of ALSTOM in China. He was responsible for making and achieving the sales strategy and sales plan for the service center, supervising the tendering and sales team and providing necessary guidance and training to them, taking part in the general management of the Service Center as a member of the management. Before that he worked as a Business Development Manager in Chengdu branch office of Siemens (China) Investment Co., Ltd. from June 2007 to September 2008 and promoted to Regional Development Manager of Siemens Factory Automation Limited in October 2008. During the employment in Siemens, Mr. Gong was mainly responsible for business development, government relations and western region market development plan. Mr. Gong graduated with the profession in Electronic Technology from the Department of Computer Management Engineering of Harbin Electric Industry College in 1991 and received a Master degree in Management Science and Engineering from School of Economics and Management of Southwest Jiaotong University in July 1998.

# 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 2012.

Except for the deviations from the code provisions A.2.1, B.1.1 and E.1.2 and recommended best practices A.4.4 of the Former Code (as defined below) as described in the following sections, the Company has complied with the code provisions stipulated in the Code on Corporate Governance Practices (the "Former Code") as formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from 1 January 2012 to 31 March 2012 and of the Corporate Governance Code and Corporate Governance Report (the "New Code") during the period from 1 April 2012 to 31 December 2012.

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. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the year regarding Directors' securities transactions.

The following sections set out how the principles in the Former Code and the New Code have been complied with by the Company during the financial year ended 31 December 2012.

## BOARD OF DIRECTORS

### Composition of the Board

As at 31 December 2012, 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.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors.

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 2012, four meetings were held by the Board and the Directors did not authorise any alternate Director to attend the Board meetings. 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 and Chief Executive Officer)* | 4 | 4 |
| Ms. Jia Lingxia(i) | 4 | 4 |
| Mr. Zha Saibin | 4 | 4 |
| Mr. Qian Zhongming(i) | 4 | 4 |
| Mr. Huang Liang | 4 | 4 |
| *Non-executive Director* | | |
| Mr. Zhang Huaqiao | 4 | 4 |
| *Independent Non-executive Directors* | | |
| Mr. Yeung Chi Tat | 4 | 4 |
| Mr. Zhao Jianfeng | 4 | 4 |
| Mr. Tang Jianrong | 4 | 4 |

Note:

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

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 would 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 would 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 3.10(A) 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 from their appointments on 9 November 2011 for Mr. Zhang Huaqiao and 30 September 2010 for the remaining other three Directors.

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.

## Directors' continuous training and development

Directors should keep abreast of the responsibilities as a Director of the Company and of the conduct, business activities and development of the Group. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors with circulars and guidance notes on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Group also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training received by the Directors for the year ended 31 December 2012 is as follows:

| Name of Board members | Training on corporate governance, regulatory development and other relevant topics |
|---|---|
| *Executive Directors* | |
| Mr. Qian Yixiang | ✓ |
| 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. Zhao Jianfeng | ✓ |
| Mr. Tang Jianrong | ✓ |

## COMMITTEES OF THE BOARD

### Remuneration Committee

The Company established a Remuneration Committee on 30 September 2010 in compliance with the Former Code and had renewed the written terms of reference in compliance with the New Code which is adopted by the Board on 27 March 2012. As at 31 December 2012, the Remuneration Committee has five members comprising three Independent Non-executive Directors and two Executive Directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Qian Yixiang and Ms. Jia Lingxia, respectively. Mr. Yeung Chi Tat is the Chairman of the Remuneration Committee.

Code provision B.1.1 of the Former Code 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 such requirement, 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 remain 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.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and Stock Exchange.

During the year ended 31 December 2012, one meeting was held by the Committee to review and make recommendation of the remuneration of senior management. No alternate Director was authorised to attend such meeting 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 | 1 | 1 |
| Mr. Zhao Jianfeng | 1 | 1 |
| Mr. Tang Jianrong | 1 | 1 |
| *Non-executive Director* | | |
| Mr. Zhang Huaqiao | 0 | 0(i) |
| *Executive Directors* | | |
| Mr. Qian Yixiang | 1 | 1 |
| Ms. Jia Lingxia | 1 | 1 |

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 2012, the Audit Committee has four members comprising three Independent Non-executive Directors and one Non-executive Director: 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 the Former Code and had renewed the written terms of reference in compliance with the New Code which is adopted by the Board on 27 March 2012. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, to review the Company's annual report and interim reports to provide advice and comments thereon to the Board, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and assessing their independence and performance.

The terms of reference of the Audit Committee are posted on the websites of the Company and Stock Exchange.

During the year under review, the Audit Committee reviewed the interim and annual financial statements and reports and discussed with external auditors on any significant or unusual items before submission to the Board, reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement and reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures. In addition, the members of the Audit Committee held two meetings with the management and the independent professional accountant firm appointed by the Company relating to the internal control review matters during the year. Therefore, the Audit Committee actively participated in the internal control review matters to improve and strengthen the internal control system, where necessary.

During the year ended 31 December 2012, four meetings were held by the Committee. No alternate Director was authorised to attend such meeting 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 | 4 | 4 |
| Mr. Zhao Jianfeng | 4 | 4 |
| Mr. Tang Jianrong | 4 | 4 |
| *Non-executive Director* | | |
| Mr. Zhang Huaqiao | 3 | 4 |

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 auditors. Audit Committee has reviewed the Company's annual results for the year ended 31 December 2012.

## Nomination Committee

The Company established a Nomination Committee on 30 September 2010 in compliance with the Former Code and had renewed the written terms of reference in compliance with the New Code which is adopted by the Board on 27 March 2012. As at 31 December 2012, the Nomination Committee has five members comprising three Independent Non-executive Directors, and two Executive Directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng, Mr. Qian Yixiang and Ms. Jia Lingxia, respectively. Mr. Yeung Chi Tat is the Chairman of the Nomination Committee.

Under the recommended best practices A.4.4 of the Former Code and A5.1 of the New 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 Nomination Committee on 1 February 2012 so that the majority of the members of the Nomination Committee remain 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. The Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and assessing the independence of the Independent Non-executive Directors.

The terms of reference of the Nomination Committee are posted on the websites of the Company and Stock Exchange.

During the year ended 31 December 2012, one meeting was held by the Committee and work performed includes reviewing the structure, size and composition of the Board and clarifying the functions of Executive Directors and Non-executive Directors. No alternate Director was authorised to attend such meeting 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 | 1 | 1 |
| Mr. Zhao Jianfeng | 1 | 1 |
| Mr. Tang Jianrong | 1 | 1 |
| *Non-executive Director* | | |
| Mr. Zhang Huaqiao | 0 | 0[(i)] |
| *Executive Directors* | | |
| Mr. Qian Yixiang | 1 | 1 |
| Ms. Jia Lingxia | 1 | 1 |

Note:

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

## 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.

### Auditors' remuneration

During the year ended 31 December 2012, the remuneration paid and payable to the auditors of the Company, KPMG were set out as below:

| Nature of services | Remuneration paid and payable RMB'000 |
|---|---|
| Audit service | 1,915 |
| Non-audit service – Review of interim results | 830 |
| Total | 2,745 |

## 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 Company continues to maintain regular dialogue with institutional investors and analysts to keep them informed of 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.

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 auditors. The members of the Board and external auditors 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 auditors at the AGM.

The 2011 AGM was held on 6 June 2012 and the attendance record of each Director is set out below:

| Name of Board members | AGM |
|---|---|
| *Executive Directors* | |
| Mr. Qian Yixiang (*Chairman and Chief Executive Officer*) | 0 |
| Ms. Jia Lingxia | 0 |
| Mr. Zha Saibin | 0 |
| Mr. Qian Zhongming | 0 |
| Mr. Huang Liang | 1 |
| *Non-executive Director* | |
| Mr. Zhang Huaqiao | 1 |
| *Independent Non-executive Directors* | |
| Mr. Yeung Chi Tat | 1 |
| Mr. Zhao Jianfeng | 0 |
| Mr. Tang Jianrong | 0 |

Code provision E.1.2 stipulates that the Chairman of the Board should attend the AGM. Mr. Qian Yixiang was unable to attend the 2011 AGM due to other business engagements. Mr. Qian Yixiang had appointed Mr. Huang Liang, an Executive Director, as his delegate to chair the 2011 AGM and to answer the questions from shareholders. The Chairman of the Audit, Nomination and Remuneration Committee was also available to answer questions at the 2011 AGM.

During the year, there were no changes to the Company's constitutional documents.

## SHAREHOLDERS' RIGHTS

### Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article 64 of the Company's amended and restated Memorandum and Articles of Association, an Extraordinary General Meeting ("EGM") shall be convened on the written requisition of one or more members of the Company, at the date of the deposit of the requisition, holding in aggregate of not less than one-tenth of such of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. The requisition must specify the objects of the meeting and must be signed by the relevant requisitionist(s) and deposited at the Company Secretary at the Company's principal place of business. If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene a meeting, the requisitionist(s) may themselves convene a meeting provided that any meeting so convened shall not be held after the expiration of two months from the said date.

### Procedures for putting forward proposals at general meetings by shareholders

Shareholders must submit a written notice of proposals they wish to put forward at an AGM or EGM with the detailed contact information to the Company Secretary by email to yc.kwok@boerpower.com, or by fax to 2544 7272, or by mail to the Company's principal place of business at Unit 1805, 18th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, with a reasonable time prior to the general meeting so that the Company will be allowed to meet the notice period to be given to all the Shareholders as set out below. Detailed procedures and the notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at an AGM or EGM varies according to the nature of the proposal. The procedures for shareholders to convene and put forward proposals are set out in the notice of the AGM or EGM and are also available on request to the Company Secretary. The notice period is set out below:

(i) At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in an EGM.

(ii) At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes a special resolution of the Company in an EGM or any resolution of the Company in an AGM.

### Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with contact information of the requisitionists to the Board of Directors of the Company in writing through the Company Secretary by email to yc.kwok@boerpower.com, or by fax to 2544 7272, or by mail to the Company's principal place of business at Unit 1805, 18th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

# 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 2012.

## 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 35 of the annual report.

The Directors recommend the payment of a final dividend of HK12 cents per ordinary share, totaling RMB74,580,000. 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 7 June 2013.

## PROPERTY, PLANT AND EQUIPMENT

The major additions to property, plant and equipment of the Group include addition of the new plants and related machineries and equipment in Wuxi and Yixing. 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 27(c) to the financial statements.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Except for the repurchase of the Company's own ordinary shares by the trust under the Share Award Scheme as set out in note 25 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 2012 are set out in the consolidated statement of changes in equity and notes 27(a) and 27(e) to the financial statements, respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 18% of the total turnover of the Group and the largest customer accounted for approximately 5% of the total turnover of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 43% and 58% of the Group's total purchases for the year, respectively.

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

*Non-executive Director*
Mr. Zhang Huaqiao

*Independent Non-executive Directors*
Mr. Yeung Chi Tat
Mr. Zhao Jianfeng
Mr. Tang Jianrong

In accordance with article 108 of the Articles of Association of the Company (the "Articles"), one-third of the Directors for the time being shall retire from office by rotation at each Annual General Meeting of the Company provided that every Director shall be subject to retirement at least once every three years. Mr. Qian Zhongming, the Executive Director and Mr. Tang Jianrong and Mr. Zhao Jianfeng, the Independent Non-executive Directors, 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 the 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 the 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 the 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. No share option was exercised, cancelled or lapsed under the Scheme during the year. As at 31 December 2012, 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.

During the year, the Company was informed by the trustee that it had purchased an aggregate of 1,051,000 shares of the Company's existing shares on the market for the purpose of the scheme.

During the year, no shares were granted under the scheme.

Further details in relation to the share award scheme are set out in note 25 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 2012 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 shares held |
|---|---|---|---|
| *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 |
| Mr. Zhang Huaqiao | Beneficial owner | 500,000 | 0.06 |

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.

Save as disclosed above, as at 31 December 2012, none of the Directors, Chief Executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

At 31 December 2012, 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.

## CONTINUING 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 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. 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. Wuxi Boer was owned as to 93.34% by Mr. Qian Yixiang, the Chairman and Chief Executive Officer, of the Company and 6.66% by Mr. Qian Zhongming, an Executive Director of the Company.

During the year, Boer (Wuxi), the Company's indirect wholly-owned subsidiary, entered into an Equity Interest Transfer Agreement with Wuxi Boer, pursuant to which Boer Wuxi agreed to acquire and Wuxi Boer agreed to sell the 100% equity interest in Shanghai Boer at a consideration of RMB10,218,000 (equivalent to approximately HK$12.62 million).

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 RMB4,555,000 from Shanghai Boer under the said Master Agreement, with no sales being made to Shanghai Boer for the year.

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.

## 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
26 March 2013

# 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 35 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012 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

26 March 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012
(Expressed in Renminbi)

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Turnover** | 4 | **1,221,214** | 1,014,589 |
| Cost of sales | | **(771,423)** | (638,528) |
| **Gross profit** | | **449,791** | 376,061 |
| Other revenue | 5 | **30,519** | 38,321 |
| Gain on acquisition of a subsidiary | 28 | **807** | 24,382 |
| Selling and distribution expenses | | **(46,060)** | (37,364) |
| Administrative expenses | | **(110,243)** | (105,963) |
| **Profit from operations** | | **324,814** | 295,437 |
| Finance costs | 6(a) | **(377)** | (183) |
| **Profit before taxation** | 6 | **324,437** | 295,254 |
| Income tax | 7(a) | **(30,296)** | (42,276) |
| **Profit for the year** | 10 | **294,141** | 252,978 |
| **Other comprehensive income for the year** | | | |
| Exchange differences on translation of financial statements of operations outside mainland China | | **(4,407)** | (20,266) |
| **Total comprehensive income for the year** | | **289,734** | 232,712 |
| **Earnings per share (RMB cents)** | 11 | | |
| Basic | | **38.47** | 32.70 |
| Diluted | | **38.47** | 32.69 |

The notes on pages 41 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 27(b).

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2012
(Expressed in Renminbi)

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **227,410** | 162,767 |
| Construction in progress | 13 | **180** | 58,183 |
| Intangible assets | 14 | **15,507** | 15,622 |
| Lease prepayments | 15 | **63,039** | 22,302 |
| Prepayments for purchase of equipment and acquisition of land use right | | **5,887** | 8,427 |
| Deferred tax assets | 26(b) | **2,811** | 2,075 |
| | | **314,834** | 269,376 |
| **Current assets** | | | |
| Inventories | 17 | **73,688** | 68,905 |
| Trade and other receivables | 18 | **1,101,689** | 983,237 |
| Amount due from a related party | 32(b) | **–** | 3,946 |
| Pledged deposits | 19 | **27,101** | 21,587 |
| Available-for-sale investments | 20 | **245,000** | 40,000 |
| Time deposits with original maturity over three months | 21(a) | **249,442** | – |
| Cash and cash equivalents | 21 | **382,007** | 652,810 |
| | | **2,078,927** | 1,770,485 |
| **Current liabilities** | | | |
| Bank loans | | **–** | 38,163 |
| Trade and other payables | 22 | **638,035** | 464,707 |
| Amount due to a related party | 32(b) | **–** | 2,878 |
| Current taxation | 26(a) | **12,111** | 15,301 |
| | | **650,146** | 521,049 |
| **Net current assets** | | **1,428,781** | 1,249,436 |
| **Total assets less current liabilities** | | **1,743,615** | 1,518,812 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2012
(Expressed in Renminbi)

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 26(b) | **5,968** | 6,475 |
| **NET ASSETS** | | **1,737,647** | 1,512,337 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 27(c) | **66,241** | 66,241 |
| Reserves | 27(d) | **1,671,406** | 1,446,096 |
| **TOTAL EQUITY** | | **1,737,647** | 1,512,337 |

Approved and authorised for issue by the Board of Directors on 26 March 2013.

**Qian Yixiang**
*Director*

**Jia Lingxia**
*Director*

The notes on pages 41 to 80 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

at 31 December 2012
(Expressed in Renminbi)

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 16 | **4,031** | 4,031 |
| Amount due from a subsidiary | 23 | **853,168** | 922,767 |
| | | **857,199** | 926,798 |
| **Current asset** | | | |
| Cash at bank | 21(a) | **1,740** | 2,724 |
| **Current liability** | | | |
| Other payables | 22 | **1** | 175 |
| **Net current assets** | | **1,739** | 2,549 |
| **Total assets less current liability** | | **858,938** | 929,347 |
| **NET ASSETS** | | **858,938** | 929,347 |
| **CAPITAL AND RESERVES** | 27(a) | | |
| Share capital | | **66,241** | 66,241 |
| Reserves | | **792,697** | 863,106 |
| **TOTAL EQUITY** | | **858,938** | 929,347 |

Approved and authorised for issue by the Board of Directors on 26 March 2013.

**Qian Yixiang**
*Director*

**Jia Lingxia**
*Director*

The notes on pages 41 to 80 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012
(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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | | 66,382 | – | 1,000,172 | – | 12,695 | 21,436 | – | (3,789) | 269,461 | 1,366,357 |
| Appropriation to statutory reserve | | – | – | – | – | 42,650 | – | – | – | (42,650) | – |
| Dividends approved in respect of the previous year | | – | – | (45,372) | – | – | – | – | – | – | (45,372) |
| Repurchase of shares | 27(c)(ii) | (141) | – | (3,357) | – | – | – | 141 | – | – | (3,357) |
| Shares purchased for share award scheme | 25 | – | (42,027) | – | – | – | – | – | – | – | (42,027) |
| Equity-settled share-based transaction | 25 | – | – | – | 4,024 | – | – | – | – | – | 4,024 |
| Shares granted under share award scheme | 25 | – | 10,224 | – | (10,224) | – | – | – | – | – | – |
| Total comprehensive income for the year | | – | – | – | – | – | – | – | (20,266) | 252,978 | 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 |
| Balance at 1 January 2012 | | 66,241 | (31,803) | 951,443 | (6,200) | 55,345 | 21,436 | 141 | (24,055) | 479,789 | 1,512,337 |
| Appropriation to statutory reserve | | – | – | – | – | 31,463 | – | – | – | (31,463) | – |
| Dividends approved in respect of the previous year | | – | – | (62,660) | – | – | – | – | – | – | (62,660) |
| Shares purchased for share award scheme | 25 | – | (1,764) | – | – | – | – | – | – | – | (1,764) |
| Total comprehensive income for the year | | – | – | – | – | – | – | – | (4,407) | 294,141 | 289,734 |
| Balance at 31 December 2012 | | 66,241 | (33,567) | 888,783 | (6,200) | 86,808 | 21,436 | 141 | (28,462) | 742,467 | 1,737,647 |

The notes on pages 41 to 80 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012
(Expressed in Renminbi)

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 21(b) | **384,370** | 18,056 |
| Income tax paid | | **(36,432)** | (43,278) |
| **Net cash generated from/(used in) operating activities** | | **347,938** | (25,222) |
| **Investing activities** | | | |
| Payment for purchase of property, plant and equipment | | **(13,779)** | (131,417) |
| Proceeds from sale of property, plant and equipment | | **–** | 116 |
| Payment for lease prepayments | | **(39,646)** | – |
| Payment for purchase of intangible assets | | **(102)** | – |
| Payment for purchase of available-for-sale investments | | **(550,000)** | (448,000) |
| Proceeds from maturity of available-for-sale investments | | **345,000** | 408,000 |
| Interest received | | **7,896** | 34,076 |
| Investment income received | | **2,680** | 753 |
| Net payment for acquisition of a subsidiary | 28 | **(10,069)** | (35,669) |
| (Placement)/maturity of time deposits with original maturity over three months | | **(249,442)** | 644,339 |
| Increase in pledged deposits | | **(5,514)** | (1,947) |
| **Net cash (used in)/generated from investing activities** | | **(512,976)** | 470,251 |
| **Financing activities** | | | |
| Proceeds from bank loans | | **–** | 263,780 |
| Repayment of bank loans | | **(38,163)** | (225,266) |
| Payment for purchase of shares for share award scheme | | **(1,764)** | (41,852) |
| Payment for repurchase of shares | 27(c)(ii) | **–** | (3,357) |
| Interest paid | | **(377)** | (183) |
| Dividends paid to equity shareholders of the Company | 27(b)(ii) | **(62,660)** | (45,372) |
| **Net cash used in financing activities** | | **(102,964)** | (52,250) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(268,002)** | 392,779 |
| **Cash and cash equivalents at 1 January** | 21(a) | **652,810** | 268,093 |
| **Effect of foreign exchange rate changes** | | **(2,801)** | (8,062) |
| **Cash and cash equivalents at 31 December** | 21(a) | **382,007** | 652,810 |

The notes on pages 41 to 80 form part of these financial statements.

## 1. GENERAL INFORMATION

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

## 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 (the "Listing Rules"). 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 2012 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme as further elaborated in note 25.

These consolidated financial statements are presented in Renminbi ("RMB") because the functional currency of most of the Group's subsidiaries is RMB. 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(f)).

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 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, *Amendments to HKFRS 7*, *Financial instruments: Disclosures – Transfers of financial assets* are relevant to the Group's financial statements. The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

### (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.

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

The assets and liabilities of the trust in connection with a share award scheme (see note 25), 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) Available-for-sale investments

Investments in available-for-sale investments are carried at fair value with any change in fair value recognised in other comprehensive income and accumulated separately in equity. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the consolidated statement of comprehensive income. Investments in securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised at cost less impairment losses (note 2(l)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property, plant and equipment

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

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.

### (h) 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(l)). 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.

### (i) 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(l)).

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 |
| – Trademark | 10 years |

Both the period and method of amortisation are reviewed annually.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Lease prepayments

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

### (k) 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.

### (l) 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(l)(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(l)(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.

  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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Impairment of assets (continued)

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

- 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 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.

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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Impairment of assets (continued)

*(ii) Impairment of other assets (continued)*

– 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.

*(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(l)(i) and (ii)).

### (m) Inventories

Inventories are stated 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.

### (n) 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(l)).

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Income tax (continued)

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

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

The carrying amount of a deferred tax asset is reviewed at the end of 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Provisions and contingent liabilities (continued)

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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Translation of foreign currencies (continued)

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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 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 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.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (d) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets 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 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, 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").

## 4. TURNOVER AND SEGMENT REPORTING (continued)

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 2012** | | | | | |
| Turnover | **20,228** | **845,407** | **150,909** | **204,670** | **1,221,214** |
| Cost of sales | **(14,903)** | **(533,099)** | **(77,682)** | **(145,739)** | **(771,423)** |
| **Gross profit** | **5,325** | **312,308** | **73,227** | **58,931** | **449,791** |
| Depreciation and amortisation included in cost of sales | **204** | **8,545** | **1,525** | **2,068** | **12,342** |
| **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 |

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

| | **2012 RMB'000** | 2011 RMB'000 |
|---|---|---|
| Cost of sales | **12,342** | 9,064 |
| Administrative expenses | **8,894** | 7,835 |
| | **21,236** | 16,899 |

No single customer accounted for greater than 10% of the Group's aggregate revenue for the years ended 31 December 2012 and 2011.

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

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Interest income from financial institutions | **20,742** | 28,709 |
| Investment income | **2,680** | 753 |
| Government grants | **4,636** | 6,826 |
| Others | **2,461** | 2,033 |
| | **30,519** | 38,321 |

## 6. PROFIT BEFORE TAXATION

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

| | | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| (a) | Finance costs: | | |
| | Interest on bank borrowings | **377** | 183 |
| (b) | Staff costs: | | |
| | Contributions to defined contribution retirement plans | **6,087** | 4,216 |
| | Equity-settled share-based payment expenses (note 25) | **–** | 4,024 |
| | Salaries, wages and other benefits | **72,110** | 50,162 |
| | | **78,197** | 58,402 |
| (c) | Other items: | | |
| | Amortisation of intangible assets | **3,317** | 5,185 |
| | Amortisation of lease prepayments | **804** | 707 |
| | Depreciation | **17,115** | 11,007 |
| | Auditors' remuneration | **2,745** | 2,829 |
| | Impairment losses for trade receivables | **1,227** | – |
| | Operating lease charges in respect of properties | **2,590** | 2,478 |
| | Research and development (other than staff costs) | **40,933** | 35,896 |
| | Net foreign exchange (gains)/losses | **(1,606)** | 2,068 |
| | Cost of inventories# | **771,423** | 638,528 |

# Cost of inventories includes RMB42,436,000 (2011: RMB31,174,000) 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:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Current tax** | | |
| Provision for PRC income tax for the year | 32,313 | 44,439 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (note 26(b)) | (2,017) | (2,163) |
| | 30,296 | 42,276 |

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

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Profit before taxation | 324,437 | 295,254 |
| Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned | 84,539 | 71,369 |
| Tax effect of PRC preferential tax treatments (note (iii)) | (52,439) | (27,270) |
| Tax effect of non-deductible expenses | 2,796 | 4,188 |
| Tax effect of non-taxable income | (2,411) | (8,722) |
| Tax effect of additional deduction on research and development expenses | (2,189) | – |
| Withholding tax on interest income received by non-resident enterprise in the PRC | – | 2,711 |
| Actual tax expense | 30,296 | 42,276 |

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during each of the years ended 31 December 2012 and 2011.

(iii) PRC income tax

Pursuant to the PRC Corporate Income Tax Law and its implementation, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25% except for Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), Boer (Yixing) Power System Co., Ltd.* ("博耳（宜興）電力成套有限公司" or "Boer Yixing") and 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"), which are qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%, and Yixing Boai Automation Complete Sets of Equipment Co., Ltd. * ("宜興博艾自動化成套設備有限公司" or "Yixing Boai") and Boer (Wuxi) Software Technology Limited* ("博耳（無錫）軟件科技有限公司" or "Boer Software") which are entitled to preferential tax rates of 12.5% and 0% respectively.

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

## 8. DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

Year ended 31 December 2012

| | 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 | – | 976 | 12 | – | – | 988 |
| Ms. Jia Lingxia | – | 781 | 12 | – | – | 793 |
| Mr. Zha Saibin | – | 781 | 11 | – | – | 792 |
| Mr. Qian Zhongming | – | 781 | – | – | – | 781 |
| Mr. Huang Liang | – | 586 | 11 | – | – | 597 |
| *Non-executive Director* | | | | | | |
| Mr. Zhang Huaqiao | 341 | – | – | – | – | 341 |
| *Independent Non-executive Directors* | | | | | | |
| Mr. Yeung Chi Tat | 146 | – | – | – | – | 146 |
| Mr. Tang Jianrong | 98 | – | – | – | – | 98 |
| Mr. Zhao Jianfeng | 98 | – | – | – | – | 98 |
| Total | 683 | 3,905 | 46 | – | – | 4,634 |

## 8. DIRECTORS' REMUNERATION (continued)

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 |

During both years, no remuneration was paid or payable by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2011: Nil).

## 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: four) are Directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2011: one) individual is as follows which fell within the band from HK$1,000,001 to HK$1,500,000 (2011: HK$1,500,001 to HK$2,000,000):

| | **2012 RMB'000** | 2011 RMB'000 |
|---|---|---|
| Salaries and other emoluments | **976** | 756 |
| Discretionary bonuses | **–** | 516 |
| Contributions to retirement benefit schemes | **98** | 71 |
| | **1,074** | 1,343 |

During both years, no remuneration was paid or payable by the Group to any of the individual with highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB3,000 (2011: RMB16,000) 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 27(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 RMB294,141,000 (2011: RMB252,978,000) and the weighted average of 764,641,000 ordinary shares (2011: 773,649,000 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

| | **2012** **'000** | 2011 '000 |
|---|---|---|
| Issued ordinary shares at 1 January | **776,469** | 778,125 |
| Effect of shares held for share award scheme | **(11,828)** | (3,921) |
| Effect of shares repurchased (note 27(c)(ii)) | **–** | (555) |
| Weighted average number of ordinary shares | **764,641** | 773,649 |

### (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 RMB294,141,000 (2011: RMB252,978,000) and the weighted average number of 764,641,000 ordinary shares (2011: 773,761,000 shares) in issue adjusted for the potential dilutive effect caused by the shares granted under the share award scheme (see note 25), calculated as follows:

*Weighted average number of ordinary shares (diluted)*

| | **2012** **'000** | 2011 '000 |
|---|---|---|
| Weighted average number of ordinary shares | **764,641** | 773,649 |
| Effect of unvested shares under the Company's share award scheme | **–** | 112 |
| Weighted average number of ordinary shares (diluted) | **764,641** | 773,761 |

## 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 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 | 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 |
| At 1 January 2012 | **115,383** | **57,128** | **7,336** | **7,940** | **187,787** |
| Additions | **–** | **6,890** | **1,240** | **992** | **9,122** |
| Transfer from construction in progress | **69,863** | **–** | **–** | **–** | **69,863** |
| Acquisition of a subsidiary (note 28) | **2,033** | **674** | **–** | **86** | **2,793** |
| Disposals | **–** | **–** | **(392)** | **(8)** | **(400)** |
| Exchange adjustments | **(3)** | **–** | **–** | **–** | **(3)** |
| At 31 December 2012 | **187,276** | **64,692** | **8,184** | **9,010** | **269,162** |
| **Accumulated depreciation:** | | | | | |
| 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 |
| At 1 January 2012 | **6,922** | **13,878** | **2,522** | **1,698** | **25,020** |
| Charge for the year | **7,885** | **6,293** | **1,318** | **1,619** | **17,115** |
| Written back on disposals | **–** | **–** | **(372)** | **(8)** | **(380)** |
| Exchange adjustments | **(3)** | **–** | **–** | **–** | **(3)** |
| At 31 December 2012 | **14,804** | **20,171** | **3,468** | **3,309** | **41,752** |
| **Net book value:** | | | | | |
| At 31 December 2012 | **172,472** | **44,521** | **4,716** | **5,701** | **227,410** |
| At 31 December 2011 | 108,461 | 43,250 | 4,814 | 6,242 | 162,767 |

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

As at 31 December 2012, 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 RMB116,157,000 (2011: RMB84,145,000).

## 13. CONSTRUCTION IN PROGRESS

| | The Group 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| At 1 January | **58,183** | 16,828 |
| Additions | **11,860** | 114,390 |
| Transfer to property, plant and equipment | **(69,863)** | (73,035) |
| At 31 December | **180** | 58,183 |

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

## 14. INTANGIBLE ASSETS

| | The Group | | | | |
|---|---|---|---|---|---|
| | Software RMB'000 | Customer contracts RMB'000 | Customer relationship RMB'000 | Trademark RMB'000 | Total RMB'000 |
| **Cost:** | | | | | |
| At 1 January 2011 | 288 | – | – | – | 288 |
| Acquisition of a subsidiary | – | 2,352 | 18,293 | – | 20,645 |
| At 31 December 2011 | 288 | 2,352 | 18,293 | – | 20,933 |
| At 1 January 2012 | **288** | **2,352** | **18,293** | **–** | **20,933** |
| Additions | **102** | **–** | **–** | **–** | **102** |
| Write off on completion of customer contracts | **–** | **(2,352)** | **–** | **–** | **(2,352)** |
| Acquisition of a subsidiary (note 28) | **–** | **–** | **–** | **3,100** | **3,100** |
| At 31 December 2012 | **390** | **–** | **18,293** | **3,100** | **21,783** |
| **Accumulated depreciation:** | | | | | |
| 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 |
| At 1 January 2012 | **165** | **2,352** | **2,794** | **–** | **5,311** |
| Charge for the year | **35** | **–** | **3,049** | **233** | **3,317** |
| Write back on completion of customer contracts | **–** | **(2,352)** | **–** | **–** | **(2,352)** |
| At 31 December 2012 | **200** | **–** | **5,843** | **233** | **6,276** |
| **Net book value:** | | | | | |
| At 31 December 2012 | **190** | **–** | **12,450** | **2,867** | **15,507** |
| At 31 December 2011 | 123 | – | 15,499 | – | 15,622 |

## 15. LEASE PREPAYMENTS

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| **Cost:** | | |
| At 1 January | **23,925** | 20,725 |
| Additions | **41,541** | – |
| Acquisition of a subsidiary | **–** | 3,200 |
| At 31 December | **65,466** | 23,925 |
| **Accumulated amortisation:** | | |
| At 1 January | **1,623** | 916 |
| Charge for the year | **804** | 707 |
| At 31 December | **2,427** | 1,623 |
| **Net book value:** | | |
| At 31 December | **63,039** | 22,302 |

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.

As at 31 December 2012, the Group was in the process of obtaining the land use right certificate in respect of a parcel of leasehold land in the PRC with net book value of RMB41,472,000 (2011: Nil).

## 16. INVESTMENT IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| Unlisted shares, at cost | **7** | 7 |
| Capital contribution in respect of employee share-based compensation (note 25) | **4,024** | 4,024 |
| | **4,031** | 4,031 |

(Expressed in Renminbi unless otherwise indicated)

## 16. INVESTMENT IN SUBSIDIARIES (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 | BVI/Hong Kong | US$1,000 | 100% | – | Investment holding |
| Power Investment (H.K.) Limited | Hong Kong | HK$100,000 | – | 100% | Investment holding |
| Boer Wuxi (note (i)) | PRC | US$71,000,000 (note (iii)) | – | 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.* (“無錫博耳電氣工程服務有限公司”) (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 (note (iv)) | – | 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$4,000,000 (note (v)) | – | 100% | Manufacture of components and spare parts |
| Shanghai Boer (note (ii)) | PRC | RMB35,000,000 | – | 100% | Manufacture of components and spare parts |
| Boer Software (note (i)) | PRC | HK$2,800,000 | – | 100% | Development and sale of software |

## 16. INVESTMENT IN SUBSIDIARIES (continued)

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.

(iii) Registered capital of Boer Wuxi is US$111,000,000 of which US$71,000,000 has been paid up as at 31 December 2012. The outstanding amount of US$40,000,000 is due for contribution on or before 8 January 2014.

(iv) Registered capital of Boer Electric Sales (China) Co., Ltd. is US$8,000,000 of which US$1,600,000 has been paid up as at 31 December 2012. The outstanding amount of US$6,400,000 is due for contribution on or before 28 November 2013.

(v) Registered capital of Sydenham (Wuxi) Switch Co., Ltd is US$8,000,000 of which US$4,000,000 has been paid up as at 31 December 2012. The outstanding amount of US$4,000,000 is due for contribution on or before 23 August 2013.

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

## 17. INVENTORIES

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| Raw materials | **26,982** | 36,934 |
| Work in progress | **28,990** | 19,308 |
| Finished goods | **17,716** | 12,663 |
| | **73,688** | 68,905 |

## 18. TRADE AND OTHER RECEIVABLES

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **866,540** | 826,911 |
| Retention receivables | **156,872** | 114,469 |
| Bills receivable | **10,960** | 12,302 |
| Prepayments, deposits and other receivables | **67,317** | 29,555 |
| | **1,101,689** | 983,237 |

All of the trade and other receivables except for retention receivables are expected to be recovered or realised within one year.

## 18. TRADE AND OTHER RECEIVABLES (continued)

### (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(l)(i)).

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

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| At 1 January | **4,595** | 4,595 |
| Provision for impairment loss recognised | **1,227** | – |
| Uncollectible amounts written off | **(70)** | – |
| At 31 December | **5,752** | 4,595 |

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, retention 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 | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| Current | **797,113** | 740,962 |
| Less than 3 months past due | **76,900** | 50,644 |
| More than 3 months but less than 6 months past due | **77,026** | 79,960 |
| More than 6 months but less than 1 year past due | **55,745** | 58,748 |
| More than 1 year past due | **27,588** | 23,368 |
| Amounts past due | **237,259** | 212,720 |
| | **1,034,372** | 953,682 |

## 18. TRADE AND OTHER RECEIVABLES (continued)

### (b) Ageing analysis (continued)

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 22) 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 INVESTMENTS

At 31 December 2012, available-for-sale investments represented cost of unlisted wealth management products issued by banks in the PRC.

## 21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Time deposits with original maturity within three months | **80,000** | 172,587 | **–** | – |
| Cash at bank and in hand | **302,007** | 480,223 | **1,740** | 2,724 |
| Cash and cash equivalents in the statement of financial position and consolidated cash flow statement | **382,007** | 652,810 | **1,740** | 2,724 |
| Time deposits with original maturity over three months | **249,442** | – | **–** | – |
| | **631,449** | 652,810 | **1,740** | 2,724 |

At 31 December 2012, the balances that were placed with banks in the PRC amounted to RMB629,237,000 (2011: RMB647,064,000). 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 operations:

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| Profit before taxation | | **324,437** | 295,254 |
| Adjustments for: | | | |
| – Amortisation of intangible assets | 6(c) | **3,317** | 5,185 |
| – Amortisation of lease prepayments | 6(c) | **804** | 707 |
| – Depreciation | 6(c) | **17,115** | 11,007 |
| – Finance costs | 6(a) | **377** | 183 |
| – Investment income | 5 | **(2,680)** | (753) |
| – Interest income | 5 | **(20,742)** | (28,709) |
| – Net loss/(gain) on disposal of property, plant and equipment | | **20** | (2) |
| – Impairment losses for trade receivables | 6(c) | **1,227** | – |
| – Equity-settled share-based payment expenses | 25 | **–** | 4,024 |
| – Gain on acquisition of subsidiary | 28 | **(807)** | (24,382) |
| – Net foreign exchange (gains)/losses | 6(c) | **(1,606)** | 2,068 |
| Changes in working capital: | | | |
| – Decrease/(increase) in inventories | | **3,978** | (25,907) |
| – Increase in trade and other receivables | | **(93,692)** | (253,294) |
| – Net change in amounts due from/to related parties | | **1,068** | (5,296) |
| – Net decrease in amounts due to Directors | | **–** | (349) |
| – Increase in trade and other payables | | **151,554** | 38,320 |
| Cash generated from operations | | **384,370** | 18,056 |

## 22. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2012 RMB'000 | 2011 RMB'000 | 2012 RMB'000 | 2011 RMB'000 |
| Trade payables | **561,032** | 401,199 | **–** | – |
| Bills payable | **16,400** | 12,964 | **–** | – |
| Receipts in advance | **9,231** | 5,046 | **–** | – |
| Other payables and accruals | **51,372** | 45,498 | **1** | 175 |
| | **638,035** | 464,707 | **1** | 175 |

Bills payable as at 31 December 2012 and 2011 were secured by pledged bank deposits (see note 19).

All of the trade and other payables are expected to be settled within one year.

## 22. TRADE AND OTHER PAYABLES (continued)

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

| | The Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| Due within 1 month or on demand | **549,914** | 380,439 |
| Due after 1 month but within 3 months | **25,885** | 31,515 |
| Due after 3 months but within 6 months | **1,633** | 2,209 |
| | **577,432** | 414,163 |

## 23. AMOUNT DUE FROM A SUBSIDIARY

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

## 24. EMPLOYEE RETIREMENT BENEFITS

### Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authorities whereby these PRC subsidiaries are required to make a contribution at rates from 20% to 22% 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. Effective from 1 June 2012, the maximum relevant income level had increased to HK$25,000. Contributions to the scheme vest immediately.

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

## 25. 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 any 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 shares purchased by the trustee under the Scheme must not exceed 10% of the issued shares as at the adoption date.

## 25. SHARE AWARD SCHEME (continued)

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 and 1 January 2012 | **10,802** | **31,803** |
| Purchase during the year | **1,051** | **1,764** |
| At 31 December 2012 | **11,853** | **33,567** |

During the year ended 31 December 2012, no shares were granted to any employees of the Group. During the year ended 31 December 2011, the Company granted a total of 2,920,000 shares to seven employees of the Group. The fair value of these shares awarded was determined at RMB4,024,000 at the grant date.

## 26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Provision for PRC income tax | **12,111** | 15,301 |

## 26. 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 | Fair value adjustments of assets RMB'000 | Accrued expenses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2011 | 1,137 | 62 | – | 539 | 1,738 |
| Acquisition of a subsidiary | – | – | (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) |
| At 1 January 2012 | **1,137** | **296** | **(6,475)** | **642** | **(4,400)** |
| Acquisition of a subsidiary (note 28) | **–** | **–** | **(774)** | **–** | **(774)** |
| (Charged)/credited to profit or loss (note 7(a)) | **(275)** | **1,010** | **1,281** | **1** | **2,017** |
| At 31 December 2012 | **862** | **1,306** | **(5,968)** | **643** | **(3,157)** |

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Representing: | | |
| Net deferred tax assets | **2,811** | 2,075 |
| Net deferred tax liabilities | **(5,968)** | (6,475) |
| | **(3,157)** | (4,400) |

### (c) Deferred tax liabilities not recognised

The Group is subject to 10% withholding tax on dividends declared by its PRC subsidiaries in respect of their profits earned. As at 31 December 2012, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB668,987,000 (2011: RMB383,255,000) 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 2012 and 2011.

## 27. 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 losses 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 | 27(c)(ii) | (141) | – | (3,357) | – | 141 | – | – | (3,357) |
| Equity-settled share-based transaction | 25 | – | – | – | 4,024 | – | – | – | 4,024 |
| Shares purchased for share award scheme | 25 | – | (42,027) | – | – | – | – | – | (42,027) |
| Shares granted under share award scheme | 25 | – | 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 |

| | 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 losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2012 | | 66,241 | (31,803) | 951,443 | (6,200) | 141 | (50,458) | (17) | 929,347 |
| Dividends approved in respect of the previous year | | – | – | (62,660) | – | – | – | – | (62,660) |
| Shares purchased for share award scheme | 25 | – | (1,764) | – | – | – | – | – | (1,764) |
| Total comprehensive income for the year | | – | – | – | – | – | (5,982) | (3) | (5,985) |
| At 31 December 2012 | | 66,241 | (33,567) | 888,783 | (6,200) | 141 | (56,440) | (20) | 858,938 |

## 27. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

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

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Dividend proposed after the end of the reporting period of HK12 cents per share (2011: HK10 cents) | **74,580** | 62,836 |

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

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

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Dividend in respect of the previous financial year, approved and paid during the year, of HK10 cents per share (2011: HK7 cents) | **62,660** | 45,372 |

There was no arrangement under which a shareholder has waived or agreed to waive any dividends that are payable during the year.

### (c) Share capital

*(i) Details of authorised and issued share capital are as follows:*

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| *Authorised:* | | |
| 2,000,000,000 shares of HK$0.1 each | **200,000** | 200,000 |

## 27. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Share capital (continued)

*(i) (continued)*

| | Note | Par value HK$ | Number of shares '000 | Nominal value of ordinary shares HK$'000 | RMB'000 |
|---|---|---|---|---|---|
| *Issued and fully paid:* | | | | | |
| At 1 January 2011 | | 0.10 | 778,125 | 77,813 | 66,382 |
| Repurchase of shares | (c)(ii) | 0.10 | (1,656) | (166) | (141) |
| At 31 December 2011 and 31 December 2012 | | **0.10** | **776,469** | **77,647** | **66,241** |

*(ii) Purchase of own shares*

The Company has not repurchased its own ordinary shares on the Stock Exchange during the year ended 31 December 2012.

During the year ended 31 December 2011, the Company repurchased its own ordinary shares on the Stock Exchange. 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.

*(ii) Shares held for share award scheme*

Shares held for share award scheme comprised shares purchased and held which will be awarded to selected Directors 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.

## 27. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (d) Nature and purpose of reserves (continued)

*(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 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$990,313,000 (2011: HK$1,068,967,000). After the end of the reporting period the Directors proposed a final dividend amounting to RMB74,580,000 (note 27(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.

## 28. ACQUISITION OF A SUBSIDIARY

During the year, in order to expand the research and development and production capability of the Group, the Group entered into an equity transfer agreement with Wuxi Boer Power Instrumentation Company Ltd.* ("無錫博耳電力儀錶有限公司" or "Wuxi Boer") which is a related party of the Group to acquire the entire equity interest in Shanghai Boer, at a consideration of approximately RMB10,218,000.

Acquisition-related costs of RMB80,000 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 Shanghai Boer at the date of acquisition are as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment | 2,793 |
| Intangible assets | 3,100 |
| Inventories | 8,761 |
| Trade and bills receivables | 12,558 |
| Prepayments, deposits and other receivables | 583 |
| Cash at bank and in hand | 149 |
| Trade and bills payables | (11,543) |
| Accruals and other payables | (3,673) |
| Current taxation | (929) |
| Deferred tax liabilities | (774) |
| Net identifiable assets acquired | 11,025 |
| Gain on acquisition | (807) |
| Consideration for the acquisition | 10,218 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | 10,218 |
| Cash at bank and in hand acquired | (149) |
| | 10,069 |

Shanghai Boer contributed RMB26,313,000 to the Group's turnover and profit of RMB631,000 to the Group's results for the period between the date of acquisition and the end of the reporting period.

If the acquisition had occurred on 1 January 2012, the Group's turnover for the year would have been approximately RMB1,223,824,000 and profit for the year would have been approximately RMB294,169,000. 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 2012, nor is intended to be a projection of future results.

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

## 29. 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, bank deposits and wealth management products.

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. 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 4% and 19% (2011: 7% and 22%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2012.

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.

The Group acquired certain unlisted wealth management products issued by banks in the PRC. The management considers the counterparties are banks with high credit rating and the default risk is remote.

### (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 Boards of Directors of the entities. 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.

## 29. 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**

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | 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 | 638,035 | 638,035 | 638,035 | 464,707 | 464,707 | 464,707 |
| Amount due to a related party | – | – | – | 2,878 | 2,878 | 2,878 |
| | 638,035 | 638,035 | 638,035 | 505,748 | 507,388 | 507,388 |

### (c) Interest rate risk

The Group does not have significant exposure to interest rate risk as it does not expect interest rate fluctuation would have significant impact to the fair value or cash flows of its cash and bank deposits held as at 31 December 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.

### (e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011.

## 30. CONCENTRATION OF SUPPLIERS

The Group has a certain concentration of suppliers as 43% (2011: 29%) of the total raw materials were purchased from a single supplier for the year ended 31 December 2012. 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.

## 31. COMMITMENTS

### (a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2012 not provided for in the financial statements were as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Authorised but not contracted for | **187,280** | 271,890 |

### (b) Operating lease commitments

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Within 1 year | **2,549** | 2,180 |
| After 1 year but within 5 years | **5,320** | 6,434 |
| After 5 years | **–** | 2,549 |
| | **7,869** | 11,163 |

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

## 32. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2012, the Directors are of the view that the 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 |
| Shanghai Boer | Subsidiary of Wuxi Boer prior to the acquisition by the Group (note 28) |
| Shanghai Changcheng Construction Development Company Limited* (“上海長城建設開發有限公司” or “Shanghai Changcheng”) | Effectively 36.83% and 63.17% owned by Mr. Qian Yixiang, a controlling shareholder and Director and Mr. Qian Zhongming, a Director respectively |
| Wuxi Boer | Effectively 93.34% and 6.66% owned by Mr. Qian Yixiang, a controlling shareholder and Director and Mr. Qian Zhongming, a Director respectively |

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

### (a) Related party transactions

Except for the acquisition of Shanghai Boer disclosed in note 28, the Group had the following significant transactions with related parties:

| | 2012 RMB’000 | 2011 RMB’000 |
|---|---|---|
| Sales to Shanghai Changcheng | **800** | 800 |
| Sales to Shanghai Boer (note) | **–** | 7,731 |
| Purchases of raw materials from Shanghai Boer (note) | **4,555** | 14,703 |
| Rental expenses payable to Wuxi Boer | **–** | 847 |

Note: These transactions were carried out before the acquisition of Shanghai Boer.

### (b) Balances with a related party

At 31 December 2011, the amounts due from/to a related party were trade balances with Shanghai Boer which were unsecured, interest free and due within 60 days from the date of billings.

## 32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (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:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Short-term employee benefits | 6,867 | 7,354 |
| Contributions to defined contribution retirement plans | 316 | 184 |
| Equity-settled share-based payment expenses | – | 538 |
| | 7,183 | 8,076 |

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

### (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 24.

There were no material outstanding contributions to post-employment benefit plans as at 31 December 2012 and 2011.

### (e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of acquisition of Shanghai Boer disclosed in note 28 and purchases from Shanghai Boer above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules respectively. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Report of the Directors.

The related party transactions in respect of sales to Shanghai Changcheng above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

## 33. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, 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.

(Expressed in Renminbi unless otherwise indicated)

## 34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendments to HKAS 1 | Presentation of financial statements – Presentation of items of other comprehensive income | 1 July 2012 |
| 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 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009 – 2011 Cycle | 1 January 2013 |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities | 1 January 2013 |
| Amendments to HKAS 32 | Financial Instruments: Presentation – Offsetting financial assets and financial liabilities | 1 January 2014 |
| HKFRS 9 | Financial Instruments | 1 January 2015 |

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