博耳电力
BOER POWER

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Turnover increased by 20.4% to approximately RMB1,221.2 million.
- Turnover from sales of Intelligent Electrical Distribution System Solutions increased by 13.5% to approximately RMB845.4 million which represented 69.2% of total turnover.
- Turnover from sales of Energy Efficiency Solutions increased by 129.0% to approximately RMB150.9 million which represented 12.3% of total turnover.
- Turnover from Components and Spare Parts Business increased by 10.4% to approximately RMB204.7 million which represented 16.8% of total turnover.
- Turnover from sales of Electrical Distribution System Solutions increased by 11.6% to approximately RMB20.2 million which represented 1.7% of total turnover.
- Gross profit margin decreased slightly from 37.1% to 36.8%.
- Profit attributable to equity shareholders of the Company increased by approximately 38.1% to approximately RMB262.8 million (Excluding non-operational contributions from “Other revenue” and “Gain on acquisition of a subsidiary”).
- Profit attributable to equity shareholders of the Company increased by approximately 16.3% to approximately RMB294.1 million (Including non-operational contributions from “Other revenue” and “Gain on acquisition of a subsidiary”).
- Both basic and diluted earnings per share were RMB38.47 cents (2011: RMB32.70 cents and RMB32.69 cents).
- The Directors proposed to declare a final dividend of HK12 cents per ordinary share.

The Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	**2012**	2011
		RMB'000	*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	*13*	**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*	**(377)**	(183)
Profit before taxation	*6*	**324,437**	295,254
Income tax	*7*	**(30,296)**	(42,276)
Profit for the year		**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)	*9*		
Basic		**38.47**	32.70
Diluted		**38.47**	32.69

Details of the dividend proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**227,410**	162,767
Construction in progress	*10*	**180**	58,183
Intangible assets	*10*	**15,507**	15,622
Lease prepayments	*10*	**63,039**	22,302
Prepayments for purchase of equipment and acquisition of land use right		**5,887**	8,427
Deferred tax assets		**2,811**	2,075
		314,834	269,376
Current assets			
Inventories		**73,688**	68,905
Trade and other receivables	*11*	**1,101,689**	983,237
Amount due from a related party		**–**	3,946
Pledged deposits		**27,101**	21,587
Available-for-sale investments		**245,000**	40,000
Time deposits with original maturity over three months		**249,442**	–
Cash and cash equivalents		**382,007**	652,810
		2,078,927	1,770,485
Current liabilities			
Bank loans		**–**	38,163
Trade and other payables	*12*	**638,035**	464,707
Amount due to a related party		**–**	2,878
Current taxation		**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
Non-current liabilities			
Deferred tax liabilities		**5,968**	6,475
NET ASSETS		**1,737,647**	1,512,337
CAPITAL AND RESERVES			
Share capital		**66,241**	66,241
Reserves		**1,671,406**	1,446,096
TOTAL EQUITY		**1,737,647**	1,512,337

NOTES

1. GENERAL INFORMATION

Boer Power Holdings Limited 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. BASIS OF PREPARATION

The Group prepares its financial statements 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 ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

These consolidated financial statements for the year ended 31 December 2012 comprise the Company, its subsidiaries and a trust. The consolidated financial statements are presented in Renminbi ("RMB") because RMB is the primary functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale investments. The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. 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.

4. TURNOVER AND SEGMENT REPORTING

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

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

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

The Group has four separate segments:

- Electrical Distribution System Solutions ("EDS Solutions");
- Intelligent Electrical Distribution System Solutions ("iEDS Solutions");
- Energy Efficiency Solutions ("EE Solutions"); and
- Components and Spare Parts Business ("CSP Business").

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

	EDS Solutions *RMB'000*	**iEDS Solutions** *RMB'000*	**EE Solutions** *RMB'000*	**CSP Business** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 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

5. OTHER REVENUE

	2012	2011
	RMB'000	*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	2011
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank borrowings	**377**	183
Staff costs:		
Contributions to defined contribution retirement plans	**6,087**	4,216
Equity-settled share-based payment expenses	**–**	4,024
Salaries, wages and other benefits	**72,110**	50,162
	78,197	58,402
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 for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**32,313**	44,439
Deferred tax		
Origination and reversal of temporary differences	**(2,017)**	(2,163)
	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) 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. and Shanghai Apparatus Research Institute Switch Apparatus Co., Ltd. ("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. and Boer (Wuxi) Software Technology Limited which are entitled to preferential tax rates of 12.5% and 0% respectively.

8. DIVIDENDS

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

	2012	2011
	RMB'000	*RMB'000*
Dividend proposed after the end of the reporting period of HK12 cents per ordinary 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.

9. 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	2011
	'000	*'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	**–**	(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, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'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

10. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND LEASE PREPAYMENTS

(a) Acquisition of property, plant and equipment and construction in progress

During the year, the Group acquired items of property, plant and equipment and construction in progress with a cost of RMB23,775,000 (2011: RMB167,737,000).

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).

(b) Intangible assets

During the year, the Group acquired software with a cost of RMB102,000 and obtained a trademark through the acquisition of Shanghai Boer amounting to RMB3,100,000. Last year, the Group acquired customer relationship and customer contracts through the acquisition of Wuxi Tezhong Electrical Capacitor Co., Ltd. ("Wuxi Tezhong") amounting to RMB20,645,000.

10. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND LEASE PREPAYMENTS (CONTINUED)

(c) Lease prepayments

During the year, the Group made prepayments of land use right premiums to the PRC authorities amounting to RMB41,541,000 (2011: Nil).

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).

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables in the consolidated statement of financial position comprise:

	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 retentions held by customers are expected to be recovered or realised within one year.

(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.

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

	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.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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.

	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

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.

12. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*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
	638,035	464,707

Bills payable as at 31 December 2012 and 2011 were secured by pledged bank deposits.

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

12. TRADE AND OTHER PAYABLES (CONTINUED)

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

	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

13. 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. ("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.

14. 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	2011
	RMB'000	*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	2011
	RMB'000	*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.

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 the 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. We provide integrated electrical distribution systems and solutions, design dedicated electrical distribution systems according to customers' operating requirements, and provide matching medium – and low-voltage electrical distribution equipment. 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.

DIVIDEND

The Board has recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 30 May 2013, a payment of final dividend of HK12 cents (2011: HK10 cents) per share for the year ended 31 December 2012, payable to shareholders whose names appear in the Register of Members of the Company on Friday, 7 June 2013. The said dividend will be payable on or about Friday, 14 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24 May 2013 to Thursday, 30 May 2013 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2012 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2013.

In addition, the Register of Members of the Company will also be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend for the reporting year, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 4 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the share award scheme, pursuant to the rules and trust deed of the share award scheme, purchased on the Stock Exchange a total of 1,051,000 of the shares at a total consideration of RMB1,764,000.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintain a good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and 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, with the exception of code provisions A.2.1, B.1.1 and E.1.2 and recommended best practices A.4.4 of the Former Code which are explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

Code provision A.2.1

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.

Code provision B.1.1

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.

Code provision E.1.2

Code provision E.1.2 stipulates that the Chairman of the Board should attend the Annual General Meeting ("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.

Recommended best practices A.4.4 of the Former Code

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by Directors of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors of the Company, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 December 2012.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee of the Company has four members comprising of three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong and Mr. Zhao Jianfeng and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year ended 31 December 2012 of the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.boerpower.com.

The annual report of the Company for year ended 31 December 2012 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

The Board of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and the fellow Directors and our staff for their dedication and hard work.

THE BOARD

As at the date of this announcement, the Directors of the Company are Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin, Mr. Qian Zhongming and Mr. Huang Liang as Executive Directors, Mr. Zhang Huaqiao as Non-executive Director, Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng as Independent Non-executive Directors.

By order of the Board
Qian Yixiang
Chairman

Hong Kong, 26 March 2013