BOER 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 2013

HIGHLIGHTS

- Turnover increased by 10.9% to approximately RMB1,354.0 million.
- Turnover from sales of Intelligent Electrical Distribution System Solutions increased by 8.2% to approximately RMB914.6 million which represented 67.5% of total turnover.
- Turnover from sales of Energy Efficiency Solutions increased by 56.7% to approximately RMB236.5 million which represented 17.5% of total turnover.
- Turnover from Components and Spare Parts Business decreased by 5.7% to approximately RMB193.0 million which represented 14.3% of total turnover.
- Turnover from sales of Electrical Distribution System Solutions decreased by 51.1% to approximately RMB9.9 million which represented 0.7% of total turnover.
- Gross profit margin decreased slightly from 36.8% to 36.0%.
- Profit attributable to equity shareholders of the Company increased by approximately 17.3% to approximately RMB345.1 million.
- Profit attributable to equity shareholders of the Company increased by approximately 23.9% to approximately RMB364.5 million (excluding equity-settled share-based payment expenses recognized pursuant to the share award scheme).
- Both basic and diluted earnings per share were RMB46 cents (2012: RMB38 cents).
- The Directors proposed to declare a final dividend of HK14 cents per 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 2013, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013** *RMB'000*	2012 *RMB'000*
Turnover	4	**1,353,992**	1,221,214
Cost of sales		**(866,642)**	(771,423)
Gross profit		**487,350**	449,791
Other revenue	5	**83,291**	30,519
Gain on acquisition of a subsidiary		**–**	807
Selling and distribution expenses		**(54,289)**	(46,060)
Administrative expenses		**(146,698)**	(110,243)
Profit from operations		**369,654**	324,814
Finance costs	6	**(7,760)**	(377)
Profit before taxation	6	**361,894**	324,437
Income tax	7	**(17,027)**	(30,296)
Profit for the year		**344,867**	294,141
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**(1,415)**	(4,407)
Net movement in fair value reserve of available-for-sale investments		**(155)**	–
Other comprehensive income for the year		**(1,570)**	(4,407)
Total comprehensive income for the year		**343,297**	289,734
Profit attributable to:			
Equity shareholders of the Company		**345,109**	294,141
Non-controlling interests		**(242)**	–
Profit for the year		**344,867**	294,141

	Note	**2013**	2012
		RMB'000	*RMB'000*
Total comprehensive income attributable to:			
Equity shareholders of the Company		**343,539**	289,734
Non-controlling interests		**(242)**	–
Total comprehensive income for the year		**343,297**	289,734
Earnings per share (RMB cents)	9		
Basic		**46**	38
Diluted		**46**	38

Details of the dividends payable to equity shareholders of the Company attributable to the profit for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	**2013** ***RMB'000***	2012 *RMB'000*
Non-current assets			
Property, plant and equipment		**212,077**	227,410
Construction in progress		**1,373**	180
Intangible assets		**5,034**	15,507
Lease prepayments		**79,277**	63,039
Prepayments for purchase of equipment and acquisition of land use right		**2,148**	5,887
Deferred tax assets		**4,847**	2,811
		304,756	314,834
Current assets			
Inventories		**68,969**	73,688
Trade and other receivables	*10*	**1,097,547**	1,101,689
Current tax asset		**21,012**	–
Pledged deposits		**128,346**	27,101
Available-for-sale investments	*11*	**649,641**	245,000
Time deposits with original maturity over three months		**103,449**	249,442
Cash and cash equivalents		**851,690**	382,007
		2,920,654	2,078,927
Current liabilities			
Bank loans	*12*	**429,541**	–
Trade and other payables	*13*	**824,091**	638,035
Current tax liabilities		**6,625**	12,111
		1,260,257	650,146
Net current assets		**1,660,397**	1,428,781
Total assets less current liabilities		**1,965,153**	1,743,615
Non-current liabilities			
Deferred tax liabilities		**2,574**	5,968
NET ASSETS		**1,962,579**	1,737,647
CAPITAL AND RESERVES			
Share capital		**66,241**	66,241
Reserves		**1,892,580**	1,671,406
Total equity attributable to equity shareholders of the Company		**1,958,821**	1,737,647
Non-controlling interests		**3,758**	–
TOTAL EQUITY		**1,962,579**	1,737,647

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 2013 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme. The 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. The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of adoption of these new or amended HKFRSs are discussed below:

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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 and services 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"), which includes product line series of Intelligent Power Grid Solutions and Intelligent Power Distribution Integrated Solutions;

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

– Components and Spare Parts Business ("CSP Business"), which includes product line series of Special CSP and Standard CSP.

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.

	Turnover	Cost of sales	Gross profit	Depreciation and amortisation included in cost of sales
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013				
EDS Solutions	**9,893**	**(6,922)**	**2,971**	**125**
iEDS Solutions	**914,568**	**(593,434)**	**321,134**	**10,343**
Intelligent Power Grid Solutions	**36,345**	**(23,496)**	**12,849**	
Intelligent Power Distribution Integrated Solutions	**878,223**	**(569,938)**	**308,285**	
EE Solutions	**236,492**	**(123,420)**	**113,072**	**2,194**
CSP Business	**193,039**	**(142,866)**	**50,173**	**2,576**
Special CSP	**83,434**	**(57,776)**	**25,658**	
Standard CSP	**109,605**	**(85,090)**	**24,515**	
	1,353,992	**(866,642)**	**487,350**	**15,238**
Year ended 31 December 2012				
EDS Solutions	20,228	(14,903)	5,325	204
iEDS Solutions	845,407	(533,099)	312,308	8,545
Intelligent Power Grid Solutions	33,450	(19,255)	14,195	
Intelligent Power Distribution Integrated Solutions	811,957	(513,844)	298,113	
EE Solutions	150,909	(77,682)	73,227	1,525
CSP Business	204,670	(145,739)	58,931	2,068
Special CSP	81,985	(52,498)	29,487	
Standard CSP	122,685	(93,241)	29,444	
	1,221,214	(771,423)	449,791	12,342

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

	2013	2012
	RMB'000	*RMB'000*
Cost of sales	**15,238**	12,342
Administrative expenses	**9,633**	8,894
	24,871	21,236

One customer contributed RMB165,641,000 towards the revenue of the iEDS Solutions segment, accounting for greater than 10% of the Group's revenue for the year ended 31 December 2013 (2012: Nil).

5. OTHER REVENUE

	2013	2012
	RMB'000	*RMB'000*
Interest income from financial institutions	**7,910**	20,742
Investment income	**11,177**	2,680
Refund of value added taxes ("VAT") ^	**62,689**	2,012
Government grants	**1,044**	2,624
Others	**471**	2,461
	83,291	30,519

^ Pursuant to the VAT law implemented by the State Administration of Taxation in the PRC, taxpayers selling self-developed software products are required to pay VAT at the rate of 17% but are entitled to a 14% VAT refund. Refund of VAT is recognised by the Group when the amount is received from the relevant tax authority.

6. PROFIT BEFORE TAXATION

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

	2013	2012
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank borrowings	**7,760**	377
Staff costs:		
Contributions to defined contribution retirement plans	**7,053**	6,087
Equity-settled share-based payment expenses	**19,398**	–
Salaries, wages and other benefits	**75,192**	72,110
	101,643	78,197
Other items:		
Amortisation of intangible assets	**2,639**	3,317
Amortisation of lease prepayments	**1,822**	804
Depreciation	**20,410**	17,115
Auditors' remuneration	**2,952**	2,745
Impairment losses for trade receivables	**6,858**	1,227
Impairment losses for intangible assets	**10,168**	–
Operating lease charges in respect of properties	**2,875**	2,590
Research and development (other than staff costs)	**32,776**	40,933
Loss on disposal of property, plant and equipment	**29**	20
Net foreign exchange losses/(gains)	**1,363**	(1,606)
Cost of inventories#	**733,862**	771,423

Cost of inventories includes RMB48,838,000 (2012: RMB42,436,000) relating to staff costs, depreciation and amortisation expenses, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**20,049**	32,313
Under-provision in respect of prior year	**315**	–
Withholding tax *(note (iv))*	**2,093**	–
Deferred tax		
Origination and reversal of temporary differences	**(5,430)**	(2,017)
	17,027	30,296

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 2013 and 2012.

(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 (a) 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") 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 (b) Boer (Wuxi) Software Technology Limited* ("博耳(無錫)軟件科技有限公司") which is a qualified Software Enterprise and is therefore exempted from corporate income tax for the years ended 31 December 2013 and 2012.

(iv) Withholding tax

Withholding tax mainly represented taxes levied on the Hong Kong subsidiary in respect of dividends declared from a subsidiary in mainland China.

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

8. DIVIDEND

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

	2013	2012
	RMB'000	*RMB'000*
Special dividend declared after the end of the reporting period of HK17 cents per share (2012: Nil)	**98,431**	–
Final dividend proposed after the end of the reporting period of HK14 cents per share (2012: HK12 cents)	**84,471**	74,580
	182,902	74,580

The special dividend was paid on 14 February 2014 to shareholders from the share premium account of the Company. The dividends declared and proposed after the end of the reporting period have not been recognised as liabilities 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 RMB345,109,000 (2012: RMB294,141,000) and the weighted average of 756,271,000 ordinary shares (2012: 764,641,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
	'000	*'000*
Issued ordinary shares at 1 January	**776,469**	776,469
Effect of shares held for share award scheme	**(20,198)**	(11,828)
Weighted average number of ordinary shares at 31 December	**756,271**	764,641

(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 RMB345,109,000 (2012: RMB294,141,000) and the weighted average number of 756,517,000 ordinary shares (2012: 764,641,000 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)

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**756,271**	764,641
Effect of unvested shares under the Company's share award scheme	**246**	–
Weighted average number of ordinary shares (diluted) At 31 December	**756,517**	764,641

10. TRADE AND OTHER RECEIVABLES

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

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**800,977**	866,540
Retention receivables	**176,945**	156,872
Bills receivable	**180**	10,960
Prepayments, deposits and other receivables	**119,445**	67,317
	1,097,547	1,101,689

All of the trade and other receivables except for retentions receivables 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:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**5,752**	4,595
Provision for impairment loss recognized	**6,858**	1,227
Uncollectible amounts written off	**–**	(70)
At 31 December	**12,610**	5,752

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. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, retention receivables and bills receivable (which are included in trade and other receivables), based on date of revenue recognition, and net of allowance for doubtful debts, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Current	**771,452**	797,113
Less than 3 months past due	**35,282**	76,900
More than 3 months but less than 6 months past due	**86,731**	77,026
More than 6 months but less than 1 year past due	**35,246**	55,745
More than 1 year past due	**49,391**	27,588
Amounts past due	**206,650**	237,259
	978,102	1,034,372

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.

11. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2013, available-for-sale investments represented investments in quoted funds and unlisted wealth management products issued by banks, financial institutions and asset management companies which are either redeemable on demand or with maturities within 12 months.

	2013	2012
	RMB'000	*RMB'000*
Investments in quoted funds stated at fair value	**276,641**	–
Unlisted investments in wealth management products stated at cost	**373,000**	245,000
	649,641	245,000

Investments in quoted funds represent share in funds which primarily invested in bonds and equities or a combination of bonds and equities. These funds are managed by portfolio managers from global banks, financial institutions and asset management companies and are measured subsequently with reference to the quoted price per fund unit.

11. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

As at 25 March 2014, the Group had redeemed wealth management products with principal amounts of RMB339,000,000 together with returns. The remaining RMB34,000,000 has been pledged against a bank loan of HKD40,000,000 (see note 12).

12. BANK LOANS

At 31 December 2013, all of the bank loans of the Group were repayable within one year with effective interest rates range from 1.26% to 6.00% per annum (2012: Nil) and were secured or guaranteed by the following:

(i) Pledged deposits of RMB106,500,000 and cash at bank of RMB1,068,000;

(ii) Investments in quoted funds and unlisted investments in wealth management products with principal amounts of RMB276,641,000 and RMB34,000,000 respectively;

(iii) Guarantee of RMB60,000,000 provided by a subsidiary of the Group; and

(iv) Guarantee of USD9,690,000 provided by the Company.

The above items represent the secured assets or guarantees provided for all bank loans drawn by the Group as at the end of the reporting period.

13. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**717,926**	561,032
Bills payable	**15,200**	16,400
Receipts in advance	**13,480**	9,231
Other payables and accruals	**77,485**	51,372
	824,091	638,035

Bills payable as at 31 December 2013 and 2012 were secured by pledged bank deposits.

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

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), is as follows:

	2013	2012
	RMB'000	*RMB'000*
Due within 1 month or on demand	**711,074**	549,914
Due after 1 month but within 3 months	**21,480**	25,885
Due after 3 months but within 6 months	**572**	1,633
	733,126	577,432

14. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	2013	2012
	RMB'000	*RMB'000*
Contracted for	**6,405**	–
Authorised but not contracted for	**166,970**	187 280
	173,375	187,280

(b) Operating lease commitments

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**1,846**	2,549
After 1 year but within 5 years	**2,657**	5,320
	4,503	7,869

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 2013, the pace of growth of the world economy slowed down, with global industrial production and trading turning weak under macroeconomic regulation and control, China economic growth rate was 7.7% and the gross domestic product of China reached RMB56.88 trillion. The country's fixed asset investment increased by 19.3% and reached over RMB44.7 trillion. Increasingly active commercial and livelihood activities have also driven annual power generation volume in China to approximately 5.4 trillion kWh, representing an increase of 7.5%.

Along with the accelerated pace of the global economy and urbanization of China, power consumption in China has significantly grown in the recent years. According to the State Grid Corporation of China, the investment in power grid construction will exceed RMB380 billion in 2014, with the focus of speeding up the construction of hydropower in the southwest of China and transmission channels of new energy bases, so as to facilitate wind power generation, photovoltaic power generation and power generation from other clean energies to allow priority connection to the grid. China Southern Power Grid also planned to complete fixed asset investments of approximately RMB84.6 billion in 2014. These all indicate a rise in the overall market demand on power transmission and distribution equipment and solution, as well as the demand on enhancing efficiency of power consumption.

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 2013, the Group successfully implemented the strategy of focusing on development in business segments with higher gross profit margin, with promising development of the overall business, especially in EE Solutions. During the year, the Group specifically strengthened the integration of information technology and production technology, further developing the area of intelligent control over power consumption. As for the overseas market, through the acquisition of a Spanish brand, the Group expanded the distribution channels in Europe and actively deployed to develop the overseas market.

In terms of product research and development, the Group has always been oriented toward customer demands. Last year the Group introduced XGreen Solid Insulated Ring Main Unit, which is produced by Europe's Sydenham brand technology, realizing remote monitoring, control, management, data analysis and pre-failure alert. The Group also reinforced the CloudSmart Intelligent Management and Control System by integrating the mobile internet technology, the cloud technology and conventional power distribution equipment; thereby realizing remote control from the three dimensions of ClouldSmart data center, communication network and on-site equipment so as to improve the power system management model for users.

The Group defined last year as the "Year of Market Exploration" as the overall objective for promotion of publicity, actively marketing the green concept of the Group's products to customers, especially the end users. The Group built its sales promotional platform with Boer's distinguishing features, launching numerous new products and services to explore for new business sector opportunities, and enhancing its research and development technologies to seize local and global opportunities in the intelligent electrical distribution system market. During the year, the Group held 32 promotional events in a total of 19 cities and participated in 35 local and oversea large-scaled industrial conferences, including "The 3rd China International Smart Grid Construction Technology and Equipment Expo", "The 9th China International Rail Transit Technology Exhibition", "The 10th International Exhibition of Transmission and Distribution and Electrical Engineering for the ASEAN Region", etc.

As at 31 December 2013, the Group's outstanding contract backlog amounted to RMB1,810,133,000, which comprises iEDS Solutions, EE solutions and CSP Business, mainly from customers of data centers, telecommunication and distributors of spare parts, etc.. Most of the outstanding contract backlog is expected to be completed in 2014.

The Group performed well and continued to achieve sustainable growth during the year. The total turnover of the Group amounted to RMB1,353,992,000 for the year ended 31 December 2013, representing an increase of 10.9% as compared to that of 2012. The increase in turnover was mainly a result of the improvement in the market environment supported by China's policy on energy conservation and thus the increasing trend on the use of green energy as well as the Group's overall competitive advantage.

The total profit attributable to the equity shareholders of the Company amounted to RMB345,109,000 for the year ended 31 December 2013, representing an increase of 17.3% as compared to that of 2012. Excluding equity-settled share-based payment recognized pursuant to the share award scheme, the total profit attributable to equity shareholders of the Company amounted to RMB364,507,000 million, representing an increase of 23.9% as compared with 2012. The increase in profit was mainly due to the substantial increase in revenue contribution from the EE Solutions business segment.

Other revenue for the year mainly represented refund of value-added taxes of RMB62,689,000 (2012: RMB2,012,000). The increase was due to increase in sales of self-developed software products by a subsidiary which was set up in 2012 and is entitled to value-added tax refunds due to the PRC Government's support for the software industry to promote the country's information technology.

As at 31 December 2013, the total assets of the Group were RMB3,225,410,000 (31 December 2012: RMB2,393,761,000) while the total liabilities were RMB1,262,831,000 (31 December 2012: RMB656,114,000) and the total equity of the Group amounted to RMB1,962,579,000 (31 December 2012: RMB1,737,647,000).

Operation And Financial Review

iEDS Solutions and EE Solutions 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. Nowadays, the Group's EDS Solutions have generally been replaced by iEDS Solutions.

The total sales of EDS Solutions of the Group for the year ended 31 December 2013 amounted to RMB9,893,000 (2012: RMB20,228,000), representing 0.7% (2012: 1.7%) of the Group's total turnover for the year. A significant decrease in sales of EDS Solutions of 51.1% was due to a drop in demand for EDS Solutions which resulted from the market trend of replacement of EDS Solutions by iEDS Solutions. Most of the Group's customers are currently adopting the iEDS Solutions. The gross profit of this business segment was RMB2,971,000 (2012: RMB5,325,000), representing a decline of 44.2% as compared to that of 2012.

The gross profit margin of EDS Solutions segment increased from 26.3% for 2012 to 30.0% for the year.

iEDS Solutions

On top of EDS Solutions, the Group also provides electrical distribution systems with automation features which link all the electromechanical equipment together for automatic data acquisition and analysis, remote control and automated diagnosis, through which the users can remotely control their electrical distribution systems and use data for energy saving. These functions are useful and important to the users who require more stable and safer auto-controlled electrical distribution systems, such as the telecommunication and medical services industries.

According to the different nature of the users, iEDS Solutions can be further classified into the below categories:

– Intelligent Power Grid Solutions: the products and solutions being used in the power grids; and

– Intelligent Power Distribution Integrated Solutions: the products and solutions being used by end users.

The total sales of iEDS Solutions of the Group for the year ended 31 December 2013 was RMB914,568,000 (2012: RMB845,407,000), which accounted for approximately 67.5% (2012: 69.2%) of the Group's total turnover for the year. The increase in the sales of iEDS Solutions of 8.2% for the year ended 31 December 2013 was mainly attributable to the overall development of the power transmission and electrical distribution market which resulted in increased market demand in intelligent power transmission and electricity distribution solutions and related products. The gross profit of this business segment was RMB321,134,000 (2012: RMB312,308,000), representing an increase of 2.8% as compared to that of 2012.

The gross profit margin of iEDS Solutions segment decreased from 36.9% for 2012 to 35.1% for the year. The fluctuation in gross profit margin is within the normal range.

EE Solutions

Based on the data collected by the electrical distribution systems using its iEDS Solutions, the Group can analyse the power consumption status of users and through system management and with consideration of power source, select the most appropriate power saving solutions and provide equipment and systems to customers in order to improve energy efficiency and save electricity costs. EE Solutions services include the provision and maintenance of equipment and a number of other value-added services.

According to the difference in approaches, EE Solutions can be further classified into the below categories:

– Managed and Enhanced EE Solutions: the power saving products and solutions the Group provided to end-user customers of power consumption; and

– Equipment-enhanced EE Solutions: the power saving equipment and solutions the Group provided to customers at their power supply end.

Equipment-enhanced EE Solutions are the Group's new line of products currently being introduced to the market in 2014, and thus no sales were recorded for the year ended 31 December 2013.

The total sales of EE Solutions of the Group for the year ended 31 December 2013 was RMB236,492,000 (2012: RMB150,909,000), which accounted for approximately 17.5% (2012: 12.3%) of the Group's total turnover for the year. The substantial increase in the sales of EE Solutions was a result of the trend of energy-saving and emission reduction resulting in increasing demand from the customers to upgrade their electrical distribution system to increase electricity usage efficiency and reduce cost. The rise in sales was also attributed to the immense development of the data centers and telecommunications industries. The gross profit of this business segment was RMB113,072,000 (2012: RMB73,227,000), representing an increase of 54.4% as compared to that of 2012.

The gross profit margin of EE Solutions segment decreased slightly from 48.5% for 2012 to 47.8% for the year.

CSP Business

The Group also manufactures spare parts and components for application on electrical distribution equipment or the basic function units of the solutions and sells such spare parts and components to its customers. Its functions can only be realized through the system or connecting with other hardware.

According to the differences of applications, CSP Business can be further classified into the below categories:

– Special CSP: the custom made parts ordered by the Group's long term customers;

– Standard CSP: the general parts and components being sold by the Group; and

– Smart home products: the parts and components used for intelligent household equipments.

The Group will launch the smart home products to the market in 2014, and thus no sales were recorded for the year ended 31 December 2013.

The total sales of CSP Business of the Group for the year ended 31 December 2013 were RMB193,039,000 (2012: RMB204,670,000), which accounted for approximately 14.3% (2012: 16.8%) of the Group's total turnover for the year. The decrease in the sales of CSP Business of 5.7% for the year ended 31 December 2013 was due to decline in sales of capacitors. The gross profit of this business segment was RMB50,173,000 (2012: RMB58,931,000), representing a decrease of 14.9% as compared to that of 2012.

The gross profit margin of CSP Business segment decreased from 28.8% for 2012 to 26.0% for the year, mainly due to decrease in price resulting in lower gross profit margins which will be improved via expansion of sales channel.

Prospect

The Group has always focused on the development of one-stop power distribution system and energy efficiency solution, and integration of the green energy-saving concept into its corporate strategy. In response to the national "Twelfth Five-Year Plan" which calls for promotion of smart grid construction based on information, control, energy storage and other advanced technologies, the Group is gaining insights into the domestic demands of grid development from a strategic perspective and making advance arrangements for relevant developments in the future.

According to the China Electricity Council, the annual growth of power consumption of the whole country in 2014 is estimated at 7%. In view of the strong market demands on energy efficiency system, intelligent power transmission and distribution systems and products, the Group has made cautious deployment especially in the area of intelligent electrical distribution. While the Central Government is accelerating development of the energy saving and environmental protection industry, the Group will establish a comprehensive environmental protection service system, enhancing its product research and development capabilities, and launch products and services that is more in line with the concept of energy saving and environmental protection.

In terms of domestic business, the Group will continue to strengthen the strategy of developing the high-end market, expanding into wider markets and geographical areas by employing the downstream sales channel. The Group will also apply its products and systems more widely and into more market segments, and strengthen after-sale services to deliver seamless experiences to customers. Continuously oriented to customer needs, the Group will research and develop targeted new products, including smart home product to be launched for the construction industry.

In terms of international business development, the Group will identify target areas to set up local establishments, blending into the local market environments, creating breakthrough in sales through understanding and participating in the competition of the overseas market.

Looking forward, the Group will continue to build a solid business foundation, exercise the competitive edges and actively face new challenges and opportunities arising from the industry, so as to consolidate its leading position in the industry. The 2014 Group target business growth rate is 20% to 40%.

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 including investments in quoted funds and unlisted wealth management products, trade and other receivables, trade and other payables and bank loans. As at 31 December 2013, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB852 million (31 December 2012: RMB382 million), RMB1,660 million (31 December 2012: RMB1,429 million) and RMB1,965 million (31 December 2012: RMB1,744 million), respectively. As at 31 December 2013, the Group had bank loans amounting to RMB430 million (31 December 2012: Nil).

Assets/Liabilities Turnover Ratio

The average inventory turnover days decreased by 4 days from 34 days for the year ended 31 December 2012 to 30 days for the year ended 31 December 2013, mainly due to increased cost of sales during the year and lower inventory level as at 31 December 2013. The average trade payables turnover days increased by 41 days from 235 days for the year ended 31 December 2012 to 276 days for the year ended 31 December 2013, mainly due to increase in trade payables as at 31 December 2013 as a result of deferred billing patterns for certain suppliers. The average trade receivables turnover days decreased by 26 days from 297 days for the year ended 31 December 2012 to 271 days for the year ended 31 December 2013, mainly due to increase in sales turnover during the year. In addition, starting from the second half of 2012, 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 2013, 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 PRC 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

As disclosed in the announcements of the Company dated 14 May 2013 and 15 May 2013, on 27 April 2013, 14 May 2013 and 15 May 2013, Boer Wuxi, the Company's indirect wholly – owned subsidiary, made subscription for investments in wealth management products issued by Bank of Communications Co., Ltd ("BOCOM") in the PRC for an aggregate of RMB219 million (the "Investments"). The Investments are considered to be low risk and high liquidity investments and could therefore make good use of the Group's surplus cash to enhance the Group's returns on investments whilst maintaining a sufficient level of liquidity. As one of the percentage ratios in respect of the aggregate amount of the Investments exceeds 5% but is under 25%, the Investments constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As at the end of the reporting period, the Group had redeemed the Investments at the full principal amounts except for a minor portion of investment in the amount of RMB34 million.

As at the end of the reporting period, the Group holds highly liquid available-for-sale investments in the aggregate amount of approximately RMB650 million, including investments in quoted funds and unlisted wealth management products issued by various banks, financial institutions and asset management companies. Details of these available-for-sale investments are further disclosed in note 11. Such available-for-sale investments are expected to enhance rates of returns while maintaining its liquidity nature so as to ensure that there will be no adverse effects on the working capital of the Group. The Group will closely monitor the risks and performance of such available-for-sale investments.

Employees and Remuneration Policy

The Group had 1,342 (2012: 1,294) employees as at 31 December 2013. The total staff costs for the year under review were approximately RMB102 million (2012: RMB78 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 RMB1,067 million).

The following table sets forth the status of use of proceeds from the global offering:

	Proceeds from global offering		Used up to 31 December 2013	Unused balance
	RMB'000	*Percentage*	*RMB'000*	*RMB'000*
Expanding the upstream component production capability	266,637	25%	190,160	76,477
Expanding the downstream sales channel and market segment in China	373,291	35%	209,818	163,473
Payment of outstanding balance of the consideration in relation to the construction and completion of the Luoshe Town new plant	159,982	15%	68,456	91,526
Purchase of equipment in the Luoshe Town new plant	85,324	8%	6,012	79,312
Purchase of equipment and software in providing more efficient EE Solutions	74,658	7%	18,422	56,236
Working capital and other general corporate purposes	106,655	10%	106,000	655
	1,066,547	100%	598,868	467,679

The unused balance of the proceeds of approximately RMB468 million are currently placed with reputable banks as the Group's 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 RMB210 million for expanding the downstream sales channel and market segment in China mainly by setting up a new division, purchasing land and research and development of new products in its existing subsidiary, instead of simply setting up new companies or carrying out acquisition. The Company considers that the use of such RMB210 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 Friday, 30 May 2014, a payment of final dividend of HK14 cents (2012: HK12 cents) per share for the year ended 31 December 2013, payable to shareholders whose names appear in the Register of Members of the Company on Monday, 9 June 2014. The said dividend will be payable on or about Monday, 16 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 27 May 2014 to Friday, 30 May 2014 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2013 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 Monday, 26 May 2014.

In addition, the Register of Members of the Company will also be closed from Friday, 6 June 2014 to Monday, 9 June 2014 (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 Thursday, 5 June 2014.

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 16,000,000 of the shares at a total consideration of RMB70,103,000.

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 Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year, with the exception of code provisions A.2.1 and E.1.2 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 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 2012 AGM due to other business engagements. Mr. Qian Yixiang had appointed Mr. Huang Liang, an Executive Director, as his delegate to chair the 2012 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 2012 AGM.

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 2013.

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 2013.

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 2013 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 2013 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 2014