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

2014
Interim Report

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhang Huaqiao

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Tang Jianrong
Mr. Zhao Jianfeng

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

KPMG

LEGAL ADVISER

Stephenson Harwood

INVESTOR AND MEDIA RELATIONS CONSULTANT

Ketchum Newscan Public Relations Ltd.

REGISTERED OFFICE

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

HEADQUARTERS AND HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.boerpower.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Boer Power Holdings Limited ("Boer Power"), I am pleased to report to all shareholders the interim results of Boer Power and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014.

During the first half of the year, with adherence to our core corporate value of "satisfying customers' needs, honouring our commitments", the Group continued to strengthen its relationship with long term customers while expanding into new industries and developing new customer relationships. The Group also actively participated in domestic infrastructure construction and livelihood projects, and stepped up its efforts to expand on overseas business via the newly established marketing platform.

In terms of products, Boer Power fulfilled the needs of its business expansion and satisfied the demand of its customers via continuous technological upgrading and innovation, demonstrating the Group's corporate spirit of "learning, innovation, action and perseverance". After a year of research and development work, the Group successfully developed PMW2810 Integrated Power Monitoring Meters by adopting the latest micro-processing and digital signal processing technology, and has undergone a full scale upgrade for its Cloud Smart Intelligent Energy Efficiency Control Platform. HomeCare, Boer Power's smart home products, has received much attention from other industry practitioners since its introduction to the market in April this year. In addition, MVset-12, the new medium voltage switchgear product launched in June, possess obvious technological advantages compared with domestic peers within the industry. The Group also plans to develop more software products via its wholly owned subsidiary, Boer (Wuxi) Software Technology Limited, which are tailored to meet the users' needs and are applicable for use in various areas such as power, new energy, telecommunications, medical services and smart home.

In addition to seizing the opportunities arising from the development of the domestic market, the Group also gained presence in the international market through overseas acquisitions and participation in industry conferences during the first half of the year, thereby gradually enhancing the brand recognition and reputation of Boer Power worldwide. Following the successful acquisition of the intangible assets of a Spanish company, Grupo De Empresas Temper, S.L., the Group was aware that Indonesia, as the largest economy of Southeast Asia, has recorded continuous economic and population growth in recent years, which is favorable for the Group's business development in the country. The Group established its own subsidiary in Indonesia, one of Boer Power's key targeted countries for overseas market development, in January this year, thus opening the gateway to entering into the Southeast Asia market. During the first half of the year, the Group also expanded rapidly in various overseas markets, among which the Group's electrical distribution products will be applied in all power supply works of the construction project of New Luanda International Airport of Angola, Africa. The Group has also reached consensus with Tajan LLP, a company from Almaty, Kazakhstan in May this year for cooperation, pursuant to which Boer Power's switchgear products will be applied in one of the company's oil refinery's redesign and redevelopment projects.

During the first half of the year, apart from participating in the third phase of the redevelopment project of Qingdao Liuting Airport, the Group also supported the construction of Qingdao's transportation infrastructure, such as airport and metro, with its vast professional experience and technology. In addition, the Group commenced different forms of cooperation with various cities in China, jointly seizing the opportunities for business development. "Energy Post" series of electrical vehicle intelligent charging system, the product series launched in 2013, has been successfully connected with various communities within the Huishan District of Wuxi City.

In the second half of 2014, the global economy will continue to record moderate improvement. The implementation of policies such as "micro-stimulation" and "targeted easing" in China is expected to drive an approximate of 7% growth in gross domestic product. In view of the stable economy, electricity consumption in the second half of the year is expected to maintain its moderate rising trend. Following the continuous growth of total investment into state grid, there will be huge potential for the smart grid solutions to be offered by Boer Power in the local market. In terms of the overseas market, the robust global development of the infrastructure and medical market and increasing demand for data centers, telecommunication and comprehensive information services arising from information globalisation has provided the Group with strong development opportunities in relation to the electricity sector of these industries. In line with the development in the first half of the year, the Group will seize the opportunities arising from the global economic recovery in the second half of the year and continue to expand the Group's business, driving the Group forward with its continuous development.

At the same time of developing its business, the Group also formulated the corporate mission of "protecting and improving the environment by efficient management of energy resources", actively responding to the national policy of low carbon and emission reduction and following closely on the opportunities for development in the new energy sector. In particular, the Group's participation in the construction project of photovoltaic power plants is well under progress. Under the demonstration of the 1.5MW photovoltaic power plant which was constructed at the end of last year, Boer Power together with LOHAUS Shanghai jointly completed the first civil photovoltaic project of the Group in April this year. The first 100KW solar rooftop photovoltaic power plant constructed by the Group situated in an industrial park in Wuxi City was also completed and successfully achieved on-grid connection in June this year, which marks an important step of the Group's development in the distributed energy sector.

Looking ahead towards the second half of the year, Boer Power's customer orientated business strategy will continue to serve us well in upholding the innovative concept of pursuing excellence and continuing to enhance product quality to develop new markets.

Lastly, on behalf of Boer Power, I would like to express my sincere gratitude to the Board and all our staff for their continuing contribution and devotion to the Group. We will continue to put forth our greatest effort in realizing our goal of developing a "Priceless Boer" and achieving outstanding results for the Group's business, so as to reward our customers, business partners, investors and shareholders for their long-term support and trust in the Group.

Qian Yixiang
Chairman

19 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
Turnover	4	**723,756**	511,300
Cost of sales	4	**(427,348)**	(306,740)
Gross profit	4	**296,408**	204,560
Other revenue	5	**63,874**	36,442
Selling and distribution expenses		**(19,136)**	(25,131)
Administrative expenses		**(88,120)**	(68,611)
Profit from operations		**253,026**	147,260
Finance costs	6(a)	**(25,847)**	(4,394)
Profit before taxation	6	**227,179**	142,866
Income tax	7	**(45,814)**	(12,024)
Profit for the period		**181,365**	130,842
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**(960)**	(432)
Net movement in fair value reserve of available-for-sale investments	8	**11,525**	–
Other comprehensive income for the period		**10,565**	(432)
Total comprehensive income for the period		**191,930**	130,410
Profit attributable to:			
Equity shareholders of the Company		**181,547**	130,842
Non-controlling interests		**(182)**	–
Profit for the period		**181,365**	130,842
Total comprehensive income attributable to:			
Equity shareholders of the Company		**192,112**	130,410
Non-controlling interests		**(182)**	–
Total comprehensive income for the period		**191,930**	130,410
Earnings per share (RMB cents)	9		
Basic		**24.08**	17.18
Diluted		**24.07**	17.18

The notes on pages 9 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	10	**215,722**	212,077
Construction in progress		**1,289**	1,373
Intangible assets		**4,905**	5,034
Lease prepayments		**78,313**	79,277
Prepayments for purchase of equipment and acquisition of land use right		**4,439**	2,148
Deferred tax assets		**4,239**	4,847
		308,907	304,756
Current assets			
Inventories		**80,893**	68,969
Trade and other receivables	11	**1,623,904**	1,097,547
Current tax asset		**9,428**	21,012
Pledged deposits		**609,300**	128,346
Available-for-sale investments	12	**1,056,411**	649,641
Time deposits with original maturity over three months		**192,466**	103,449
Cash and cash equivalents	13	**391,176**	851,690
		3,963,578	2,920,654
Current liabilities			
Bank loans	14	**1,224,090**	429,541
Trade and other payables	15	**1,039,957**	824,091
Current tax liabilities		**32,373**	6,625
		2,296,420	1,260,257
Net current assets		**1,667,158**	1,660,397
Total assets less current liabilities		**1,976,065**	1,965,153

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Deferred tax liabilities		**2,444**	2,574
NET ASSETS		**1,973,621**	1,962,579
CAPITAL AND RESERVES			
Share capital		**66,241**	66,241
Reserves		**1,903,804**	1,892,580
Total equity attributable to equity shareholders of the Company		**1,970,045**	1,958,821
Non-controlling interests		**3,576**	3,758
TOTAL EQUITY		**1,973,621**	1,962,579

The notes on pages 9 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Fair Value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		66,241	(33,567)	888,783	(6,200)	86,808	21,436	141	–	(28,462)	742,467	1,737,647	–	1,737,647
Profit for the period		–	–	–	–	–	–	–	–	–	130,842	130,842	–	130,842
Other comprehensive income		–	–	–	–	–	–	–	–	(432)	–	(432)	–	(432)
Total comprehensive income for the period		–	–	–	–	–	–	–	–	(432)	130,842	130,410	–	130,410
Appropriation to statutory reserve		–	–	–	–	16,129	–	–	–	–	(16,129)	–	–	–
Dividends approved in respect of the previous year	17	–	–	(71,660)	–	–	–	–	–	–	–	(71,660)	–	(71,660)
Shares purchased for share award scheme		–	(56,146)	–	–	–	–	–	–	–	–	(56,146)	–	(56,146)
Balance at 30 June 2013		66,241	(89,713)	817,123	(6,200)	102,937	21,436	141	–	(28,894)	857,180	1,740,251	–	1,740,251
Balance at 1 January 2014		66,241	(99,690)	817,123	9,218	134,293	21,436	141	(155)	(29,877)	1,040,091	1,958,821	3,758	1,962,579
Profit for the period		–	–	–	–	–	–	–	–	–	181,547	181,547	(182)	181,365
Other comprehensive income		–	–	–	–	–	–	–	11,525	(960)	–	10,565	–	10,565
Total comprehensive income for the period		–	–	–	–	–	–	–	11,525	(960)	181,547	192,112	(182)	191,930
Appropriation to statutory reserve		–	–	–	–	19,472	–	–	–	–	(19,472)	–	–	–
Dividends approved in respect of the previous year														
– Special dividend	17	–	–	(100,958)	–	–	–	–	–	–	–	(100,958)	–	(100,958)
– Final dividend	17	–	–	(84,715)	–	–	–	–	–	–	–	(84,715)	–	(84,715)
Equity-settled share-based transaction	16	–	–	–	4,785	–	–	–	–	–	–	4,785	–	4,785
Vesting of shares granted under share award scheme	16	–	15,929	–	(15,929)	–	–	–	–	–	–	–	–	–
Balance at 30 June 2014		66,241	(83,761)	631,450	(1,926)	153,765	21,436	141	11,370	(30,837)	1,202,166	1,970,045	3,576	1,973,621

The notes on pages 9 to 21 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Operating activities			
Cash used in operations		(93,022)	(50,556)
Tax paid		(8,004)	(14,995)
Net cash used in operating activities		(101,026)	(65,551)
Investing activities			
Payment for purchase of available-for-sale investments		(1,879,948)	(794,000)
Proceeds from maturity or disposal of available-for-sale investments		1,494,985	699,000
Investment income received		26,645	2,963
Maturity of time deposits with original maturity over three months		60,983	249,442
Placement of time deposits with original maturity over three months		(150,000)	(142,033)
Increased in pledged deposits		(480,954)	(107,911)
Other cash flows used in investing activities		(8,712)	(22,899)
Net cash used in investing activities		(937,001)	(115,438)
Financing activities			
Proceeds from bank loans		3,450,247	249,138
Repayment of bank loans		(2,667,400)	–
Payment for purchase of shares for share award scheme		–	(56,146)
Interest paid		(20,827)	(5,027)
Dividends paid to equity shareholders of the Company	17	(185,673)	(71,660)
Net cash generated from financing activities		576,347	116,305
Net decrease in cash and cash equivalents		(461,680)	(64,684)
Cash and cash equivalents at beginning of period	13	851,690	382,007
Effects of foreign exchange rate changes		1,166	(1,917)
Cash and cash equivalents at end of period	13	391,176	315,406

The notes on pages 9 to 21 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 20 October 2010.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors (the "Board") is included on page 22.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2014.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's current financial statements and 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 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 include product line series of Intelligent Power Grid Solutions and Intelligent Power Distribution Integrated Solutions;

– Energy Efficiency Solutions ("EE Solutions"), which include product line series of Managed and Enhanced EE Solutions and Equipment-enhanced 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
Six months ended 30 June 2014				
EDS Solutions	**5,329**	**(3,849)**	**1,480**	**51**
iEDS Solutions	**425,853**	**(259,560)**	**166,293**	**4,101**
Intelligent Power Grid Solutions	**85,573**	**(53,912)**	**31,661**	
Intelligent Power Distribution Integrated Solutions	**340,280**	**(205,648)**	**134,632**	
EE Solutions	**199,848**	**(96,956)**	**102,892**	**1,925**
Managed and Enhanced EE Solutions	**199,156**	**(96,393)**	**102,763**	
Equipment-enhanced EE Solutions	**692**	**(563)**	**129**	
CSP Business	**92,726**	**(66,983)**	**25,743**	**893**
Special CSP	**44,375**	**(28,984)**	**15,391**	
Standard CSP	**48,351**	**(37,999)**	**10,352**	
	723,756	**(427,348)**	**296,408**	**6,970**
Six months ended 30 June 2013				
EDS Solutions	6,967	(4,822)	2,145	94
iEDS Solutions	271,067	(159,805)	111,262	3,644
Intelligent Power Grid Solutions	29,267	(18,145)	11,122	
Intelligent Power Distribution Integrated Solutions	241,800	(141,660)	100,140	
EE Solutions	141,364	(70,521)	70,843	1,900
Managed and Enhanced EE Solutions	141,364	(70,521)	70,843	
Equipment-enhanced EE Solutions	–	–	–	
CSP Business	91,902	(71,592)	20,310	1,235
Special CSP	41,304	(29,858)	11,446	
Standard CSP	50,598	(41,734)	8,864	
	511,300	(306,740)	204,560	6,873

4. TURNOVER AND SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cost of sales	**6,970**	6,873
Administrative expenses	**4,427**	5,832
	11,397	12,705

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as the chief operating decision maker does not use the information to measure the performance of the reportable segments.

No geographical segment analysis is presented as substantially all turnover and gross profit of the Group are attributable to the PRC.

5. OTHER REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income from bank deposits	**10,028**	5,053
Investment income	**26,645**	2,963
Refund of value added taxes ("VAT") ^	**16,283**	26,726
Net gain on disposal of available-for-sale investments	**7,677**	–
Government grants	**1,110**	720
Others	**2,131**	980
	63,874	36,442

^ 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:

		Six months ended 30 June 2014 RMB'000	2013 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**25,847**	4,394
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**3,768**	3,325
	Equity-settled share-based payment expenses (note 16)	**4,785**	–
	Salaries, wages and other benefits	**40,474**	38,568
		49,027	41,893
(c)	Other items:		
	Amortisation of intangible assets	**308**	1,702
	Amortisation of lease prepayments	**964**	784
	Depreciation	**10,125**	10,219
	Impairment losses for trade receivables	**7,743**	4,611
	Operating lease charges in respect of properties	**1,956**	1,579
	Research and development costs (other than staff costs)	**23,738**	16,735
	Loss on disposal of property, plant and equipment	**110**	9
	Net foreign exchange losses	**5,678**	1,485
	Cost of inventories[#]	**427,348**	306,740

[#] Cost of inventories includes RMB24,167,000 (six months ended 30 June 2013: RMB21,884,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges. The amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

7. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	33,752	11,863
Withholding tax	11,584	2,106
Deferred tax		
Origination and reversal of temporary differences	478	(1,945)
	45,814	12,024

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 six months ended 30 June 2014 and 2013.

(iii) PRC income tax

Pursuant to the PRC Corporate Income Tax Law and its implementation, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25% except for (a) Boer (Wuxi) Power System Co., Ltd., 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"), 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 year ended 31 December 2013 and entitled to a preferential tax rate of 12.5% in 2014.

(iv) Withholding tax

Withholding tax mainly represented taxes levied on a Hong Kong subsidiary in respect of dividends received 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. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Available-for-sale investments		
Changes in fair value recognised during the period	**19,202**	–
Reclassification adjustments for amounts transferred to profit or loss:		
– Gain on disposal	**(7,677)**	–
Net movement in the fair value reserve during the period recognised in other comprehensive income	**11,525**	–

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB181,547,000 (six months ended 30 June 2013: RMB130,842,000) and the weighted average number of 753,965,000 ordinary shares (2013: 761,677,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB181,547,000 (six months ended 30 June 2013: RMB130,842,000) and the weighted average number of 754,110,000 ordinary shares (2013: 761,677,000 ordinary shares) in issue adjusted for the potential dilutive effect caused by the shares granted in 2013 which were vested in 2014 (see note 16) under the share award scheme.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB13,884,000 (six months ended 30 June 2013: RMB1,738,000).

As at 30 June 2014, 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 RMB50,689,000 (31 December 2013: RMB52,006,000).

11. TRADE AND OTHER RECEIVABLES

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 the date of revenue recognition, and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current	**1,219,880**	771,452
Less than 3 months past due	**78,909**	35,282
More than 3 months but less than 6 months past due	**64,325**	86,731
More than 6 months but less than 1 year past due	**78,772**	35,246
More than 1 year past due	**43,564**	49,391
Trade receivables, retention receivables and bills receivable, net of allowance for doubtful debts	**1,485,450**	978,102
Prepayment, deposits and other receivables	**138,454**	119,445
	1,623,904	1,097,547

All of the trade and other receivables except for retentions held by customers of RMB196,419,000 (2013: RMB176,945,000) are expected to be recovered or realised within one year.

As at 30 June 2014, the Group's trade receivables of RMB20,353,000 (2013: RMB12,610,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties. The management assessed that only a portion of those receivables is expected to be recovered. The Group does not hold any collateral over these balances.

12. AVAILABLE-FOR-SALE INVESTMENTS

As at 30 June 2014, available-for-sale investments represented investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies which are either redeemable on demand or with maturities within 12 months.

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Investments in quoted funds stated at fair value	**627,411**	276,641
Unlisted investments in wealth management products stated at cost	**429,000**	373,000
	1,056,411	649,641

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

13. CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Time deposits with original maturity within three months	–	210,505
Cash at bank and in hand	224,930	641,185
Other highly liquid assets	166,246	–
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	391,176	851,690

14. BANK LOANS

As at 30 June 2014, all of the bank loans were repayable within one year with effective interest rates from 1.1% to 2.8% per annum and were secured by certain of the Group's assets as follows:

(i) Cash at bank amounting to RMB10,731,000;

(ii) Investments in quoted funds amounting to RMB627,411,000;

(iii) Unlisted investments in wealth management products with principal amounts of RMB230,000,000; and

(iv) Pledged deposits of RMB575,900,000.

15. TRADE AND OTHER PAYABLES

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:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	837,032	711,074
Due after 1 month but within 3 months	39,921	21,480
Due after 3 months but within 6 months	29,338	572
Due after 6 months	505	–
Trade payables and bills payable	906,796	733,126
Receipts in advance	11,444	13,480
Other payables and accruals	121,717	77,485
	1,039,957	824,091

16. SHARE AWARD SCHEME

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

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

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

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

	Number of shares held	Amount
	'000	RMB'000
At 1 January 2013	11,853	33,567
Purchase during the year	16,000	70,103
Shares granted to employees and fully vested during the year	(1,090)	(3,980)
At 31 December 2013 and 1 January 2014	**26,763**	**99,690**
Shares vested during the period	**(4,380)**	**(15,929)**
At 30 June 2014	**22,383**	**83,761**

During the period ended 30 June 2014, no shares were granted to any employees of the Group. During the year ended 31 December 2013, the Company granted 4,380,000 shares to thirteen employees of the Group and vested during the period ended 30 June 2014. Details are as follows:

Grant date	Vesting date	Number of shares awarded	Number of shares vested	Average fair value per share	Equity-settled share-based payment expense recognised in 2014
		'000	'000	RMB	RMB'000
13 December 2013	6 January 2014	**4,380**	**4,380**	**4.55**	**4,785**

17. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Special dividend in respect of the previous financial year, approved and paid during the interim period, of HK17 cents per share (2013: Nil)	**100,958**	–
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK14 cents per share (2013: HK12 cents)	**84,715**	71,660
	185,673	71,660

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair values measured using significant unobservable inputs.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Level 1	
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Available-for-sale investments	**627,411**	276,641

The quoted market price used for financial assets held by the Group included in level 1 is the bid price as at 30 June 2014. Instruments included in level 1 comprise primarily quoted investment funds managed by banks, financial institutions or asset management companies. These are liquid investments which are redeemable on demand from date of acquisition, and they are classified as available-for-sale investments. The Group only acquired available-for-sale investments issued by either reputable banks that are of sound credit rating or globally well-known financial institutions and asset management firms with low risk of default as the underlying investments are safeguarded by independent custodians which are regulated by government authorities of the relevant jurisdiction. Moreover, the management has set in place credit limits for each individual counterparties and regular periodic reviews are conducted to ensure that the limits are strictly adhered to. The management considers that the default risk is remote given that the investments are held with counterparties operating under regulatory bodies and the Group does not expect any significant counterparty risk.

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2014 and 31 December 2013.

19. CONCENTRATION OF SUPPLIERS

The Group has a certain concentration of suppliers as 41.7% (six months ended 30 June 2013: 36.7%) of the total raw materials were purchased from a single supplier for the six months ended 30 June 2014. Should this supplier fail to deliver in a timely manner, delays or disruptions in the supply and delivery of the Group's products could result. On the other hand, the Group is an authorised system integrator of this supplier. Should the Group be unable to renew the licence as an authorised system integrator, the Group may lose a significant portion of its business.

20. CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2014 not provided for in the interim financial report were as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	–	6,405
Authorised but not contracted for	166,120	166,970
	166,120	173,375

21. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Short-term employee benefits	3,248	3,183
Contributions to defined contribution retirement plans	110	107
Equity-settled share-based payment expenses	3,441	–
	6,799	3,290

REVIEW REPORT

TO THE BOARD OF DIRECTORS OF BOER POWER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 21, which comprise the consolidated statement of financial position of Boer Power Holdings Limited as of 30 June 2014, the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

19 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2014, the global economy continued its recovery and growth. China lowered its economic growth on its own initiative to implement in-depth structural reforms. Overall, there is steady gradual economic development, with active moves for transition into a green and low-carbon society. With the advancement of the global smart grid construction and grid reform, energy conservation will be achieved during the "12th Five-Year Plan" period, thereby stimulating the demand of various intelligent electrical distribution products, which creates increasing market opportunities.

The gross domestic product increased by 8.5% and reached RMB26.9 trillion during the first half of the year. The country's fixed asset investment reached RMB21.3 trillion. The national power generation volume reached over 2.6 trillion kWh, representing an increase of 5.3%. National power new production capacity (officially put into operation) amounted to 36.7 million kWh. The power generation and power consumption volume recorded a moderate increase to reflect the economic recovery of China.

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").

The Group continued its rapid growth in the first half of 2014. The overall business development has been more stable, with good performance recorded for iEDS Solutions and EE Solutions. During the period, the Group mainly concentrated on strengthening the development of business of existing industries and customer base both inside and outside of the country, as well as actively seeking growth opportunities of new industries, new energy and new customers.

In terms of the domestic market, the Group actively participated in the infrastructure construction of various cities. Wuxi Metro Line 1, with the Group being the supplier of electrical distribution equipments, commenced operation in June. The Group once again participated in the third phase for the redevelopment project of Qingdao Liuting Airport Phase 3, providing safe and reliable electrical facilities and professional services for the "mass transportation system" of Qingdao. The Group also entered into a "Strategic Cooperation and Processing Framework Agreement" with Wuxi Dihe (Industrial) Investment Development Co., Ltd., pursuant to which both parties reached a long-term cooperative relationship in respect of assembling tunnel boring machine components and manufacturing core parts. Meanwhile, the Group took over Global Data Solution's projects, cooperating with China Mobile's branches and participating in 4G and construction of big data base, and secured large value orders. The Group has been involved in thousands of China's newly constructed and existing hospital restructuring projects, providing reliable assurance to the medical industry with the Group's intelligent electrical distribution and energy efficiency systems. Boer Power continues to prevail within the electrical distribution business for its power grid projects in various regions. At the same time, the Group is actively participating in the infrastructure for a number of cities. Business of "Energy Post" electrical vehicle intelligent charging system was started up with the base in Wuxi, and was able to be installed for application among residents within various communities, so as to allow for application and reflection of Boer Power's service through from the national grid to the daily lives of normal citizens.

BUSINESS REVIEW (continued)

In terms of overseas market, the Group's business exposure has extended to the most dynamic regions and fields of the global economy. In Asia, Indonesia, as one of Boer Power's key targeted countries for overseas market development, is the Group's entrance into the Southeast Asia market. The Group took the lead to establish a subsidiary in Indonesia in January this year, contacting and studying the characteristics of the local market in depth via the overseas team. Indonesia, with its large population and vast land area, coupled with the recent rapid growth of its economy, leads to a huge demand for infrastructure. Indonesia's investment in a series of infrastructure facilities has triggered a sharp rise in demand for cement. Following the increasing development of the cement market in Indonesia, the Group is also officially developing business in Indonesia with customers from the cement industry. In May this year, the Group teamed up with a company, Tajan LLP, in entering the petroleum industry in Kazakhstan. The Group's switchgear products will be used in phase II of the project for redesign and redevelopment of oil refineries in Atyrau, Kazakhstan. This project is one of the priorities for the direction of development in Kazahstan, and is the focus to the development of the country's oil and gas industry for the coming five years. In Europe, the Group's Spanish subsidiary has gradually established its Europe distribution network, extending its business coverage to areas of electrical distribution, electricity measurement and electricity management, with the support of the electrical distribution market already developed under its "Temper" brand. In Africa, the Group participated in the construction project of the international airport in Angola, in which the Group's electrical distribution products will be applied to all power supply works of the project. New Luanda Airport of Angola is the largest international airport in west coast of Africa, and one of Angola's core projects of the year.

Product research and development carried out by the Group has always been driven by customers' demand, and the research and development capability has been strengthened. In the first half of the year, the Group obtained 6 new patents, currently owning a total of 63 patents, amongst which 6 are invention patents. "HomeCare", the smart home products launched by the Group in April, was the key product to gaining presence in the green smart home market and reflected the strong innovative technological capabilities and corporate spirit of Boer Power.

The Group has also stepped up its efforts in developing the new energy business. The first 100KW solar rooftop photovoltaic power plant situated in an industrial park in Wuxi City has achieved on-grid connection, and the Group has also completed its first civil photovoltaic project with LOHAUS Shanghai.

In terms of product promotion, the Group made use of various local and international marketing platforms to actively promote the green concept of Boer Power's products to customers. In the first half of the year, the Group held 22 promotional events in a total of 10 cities and participated in 8 local and overseas industrial conferences, including "China (Beijing) International Intelligent Building and Smart Home Expo 2014", "The 4th Modern Data Centre Infrastructure Construction Technology Annual Conference" and "2014 Clean Energy Expo China", so as to enhance the communication with customers and gain a better understanding of their needs.

As at 30 June 2014, the Group's outstanding contract backlog amounted to approximately RMB1,854.2 million which comprises iEDS Solutions, EE Solutions and CSP Business segment contracts, and mainly comes from customers in industries such as data centers, telecommunication, medical services, infrastructure and distributors of spare parts, etc. Most of the outstanding contract backlog is expected to be completed by the end of this year.

The total turnover of the Group amounted to RMB723,756,000 for the six months ended 30 June 2014, representing an increase of 41.6% as compared to that of 2013. The increase in turnover was mainly a result of the increase in market demand for the Group's solutions and products and strengthening all rounded capabilities of the Group.

BUSINESS REVIEW (continued)

Including non-operational contributions from "other revenue", the total profit attributable to the equity shareholders of the Company amounted to RMB181,547,000 for the six months ended 30 June 2014, representing an increase of 38.8% as compared to that of 2013. Excluding non-operational contributions from "other revenue", the profit attributable to the equity shareholders of the Company amounted to approximately RMB117,673,000 for the six months ended 30 June 2014, representing an increase of 24.7% as compared to 2013. 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 business segments.

As at 30 June 2014, the total assets of the Group were RMB4,272,485,000 (31 December 2013: RMB3,225,410,000) while the total liabilities were RMB2,298,864,000 (31 December 2013: RMB1,262,831,000) and the total equity of the Group amounted to RMB1,973,621,000 (31 December 2013: RMB1,962,579,000).

OPERATION AND FINANCIAL REVIEW

Sound performance and significant growth were recorded for iEDS Solutions and EE Solutions during the period.

EDS Solutions

Electrical distribution system lies between grid and end users to distribute electricity at a 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 six months ended 30 June 2014 amounted to RMB5,329,000 (2013: RMB6,967,000), representing 0.7% (2013: 1.4%) of the Group's total turnover during the period. The decline in sales of EDS Solutions of 23.5% was due to the continuing decrease in demand for EDS Solutions as a result of the market trend for replacement of EDS Solutions by iEDS Solutions. The reportable gross profit of this business segment during the period was RMB1,480,000 (2013: RMB2,145,000), representing a decrease of 31.0% as compared to that of 2013.

The gross profit margin of EDS Solutions segment decreased from 30.8% for 2013 to 27.8% for the period.

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 telecommunication and medical services industries.

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

– Intelligent Power Grid Solutions: the products and solutions being used in the power grid; 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 six months ended 30 June 2014 was RMB425,853,000 (2013: RMB271,067,000), which accounted for approximately 58.9% (2013: 53.0%) of the Group's total turnover during the period. The increase in the sales of iEDS Solutions of 57.1% for the period was mainly attributable to the increase in market demand of the Group's products which stems from the Group's competitive advantage over other industry players with its strong operating, financial and technological capabilities. The reportable gross profit of this business segment was RMB166,293,000 (2013: RMB111,262,000), representing an increase of 49.5% as compared to that of 2013.

The gross profit margin of iEDS Solutions segment decreased from 41.0% for 2013 to 39.0% for the period. The fluctuation in gross profit margin is within the normal range.

OPERATION AND FINANCIAL REVIEW (continued)

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. Through system management and considering the power source, the Group can 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 following 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 which were introduced to the market this year, and thus minimal sales were recorded for the period ended 30 June 2014.

The total sales of EE Solutions of the Group for the six months ended 30 June 2014 was RMB199,848,000 (2013: RMB141,364,000), which accounted for approximately 27.6% (2013: 27.6%) of the Group's total turnover during the period. The substantial increase in the sales of EE Solutions was a result of the increased demand from customers for the Group's products to upgrade their electrical distribution system in order to increase electricity usage efficiency and reduce cost. The rise in demand for the Group's EE Solutions is due to the Group's competitive edge gained through keeping pace with the market trend and rooting its own solid operating, financial and technical support towards customers' needs. The reportable gross profit of this business segment was RMB102,892,000 (2013: RMB70,843,000), representing an increase of 45.2% as compared to that of 2013.

The gross profit margin of EE Solutions segment increased from 50.1% for 2013 to 51.5% for the period. The fluctuation in gross profit margin is within the normal range.

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 realised through the system or connecting with other hardware.

According to the differences of applications, CSP Business can be further classified into the following 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 equipment.

  The Group launched the smart home products to the market in April 2014, and thus no sales are yet recorded for the period ended 30 June 2014.

OPERATION AND FINANCIAL REVIEW (continued)

CSP Business (continued)

The total sales of the CSP business of the Group for the six months ended 30 June 2014 was RMB92,726,000 (2013: RMB91,902,000), which accounted for approximately 12.8% (2013: 18.0%) of the Group's total turnover during the period. The reportable gross profit of this business segment was RMB25,743,000 (2013: RMB20,310,000), representing an increase of 26.8% as compared to that of 2013.

The gross profit margin of CSP Business segment increased from 22.1% for 2013 to 27.8% for the period due to pricing adjustments in the CSP market last year which has been improved via expansion of sales channel.

PROSPECT

In 2014, China's economy gradually rebound with a steady yet progressing pace. It is forecasted that China's gross domestic product will grow at 7.4% and 7.3% in the third and fourth quarter respectively. The introduction of policies such as "micro-stimulation" and "targeted easing" in China will stabilize the growth rate in the second half of the year. Experts analysed that electricity consumption during the second half of the year may maintain its moderate rise in view of the stable economy. China Electricity Council has also predicted previously that the growth of total electricity consumption this year will be maintained at around 7%. In addition, industrial transformation has had a significant impact on electricity distribution, and the development of clean energy has become an important task for national energy development. At the national teleconference on summer's electricity peak held in June this year, the National Development and Reform Commission pointed out that the overall power supply and demand situation during the year is eased, despite still being tense in some areas. It was also proposed to increase investment in urban and rural distribution network, focusing efforts to resolve issues such as the overloading of transformers and circuits, and aging facilities, as well as finalizing the clean energy development plan and the respective tariff policies.

In review of 2014's global economy, the economic growth rate will be slightly higher than that of last year. The recovery of the global economy has provided the Group with historic opportunities for rapid development. In the context of persistently low interest rates worldwide, the listed infrastructure shares are still able to provide considerable long term returns, which is sufficient proof of the prospects of the global infrastructure market. In particular, there are high demand for infrastructure and electricity in emerging markets such as China and India. On the other hand, the development of the global economy has led to an increase in living standards and rising medical expenses worldwide, thus offering promising market prospects for the medical sector. The prosperity of the infrastructure and medical markets has provided huge market potentials for the Group's iEDS Solutions and EE Solutions products. In addition, there is a growing trend of information globalisation. Mergers and acquisitions of telecommunication service providers are continuously occurring worldwide over the past year. According to industry forecasts, in adaptation to the trend of informationization, in the next few years the telecommunication industry will extend both upstream and downstream along the industry chain, especially targeting internet companies. Big data has become an important reference for commercial and even political decision marking. There is strong demand for data centers in the market and the application of data center in the telecommunication industry happens to be the field of future prospects for the Group's iEDS Solutions and EE Solutions products. Looking forward, the Group will promote its iEDS Solutions and EE Solutions products to regions with well-developed telecommunications industry, such as Europe, so as to share in the fruitful results brought about by the rapid development of the industry.

As a provider of one-stop electrical distribution systems and energy efficiency solutions, the Group has integrated the green energy-saving concept into its corporate strategy and will launch products and services which is more in line with the concept of energy saving through optimisation of its production plans. Apart from continuing to follow closely on power grids, especially the development of smart grids, the Group will also pay more attention to new energy applications such as generation of solar power and distributed power which may be applied in more aspects.

PROSPECT (continued)

The Group has already established a solid business foundation in China with its strong capabilities and experience accumulated throughout the years. Looking forward, the Group will seek to better seize the economic development of the emerging markets and continue to expand its business to regional market representatives of emerging economies such as South America and North America. In the second half of the year, the Group will strive to expand its overseas operations, developing the Middle East and South East Asian markets with Dubai and Jakarta as bases, and developing Europe and Latin American business with Spain as the base. The Group intends to convene "Temper" supplier conference in Spain and hold "Boer" annual overseas customer conference in Wuxi during the second half of the year, integrating upstream resources, promoting cost reduction and expanding downstream sales channel to increase the Group's profit for the year. At the same time, to keep the Group's product development more in line with customers' demand, a global market information collection and analysis organization was established at the research and development center. Through integrating the intelligent electrical distribution system, energy efficiency solutions application and "Energy Post" intelligent charging system, there will be growth in Boer Power's engineering, procurement and construction ("EPC") market share, with electric being the core focus for EPC.

Leveraging on its business foundation domestically and abroad, the Group will cautiously grasp every opportunity and explore new possibilities and ways of cooperation in more fields. It will also seek to open up into new markets and new businesses by expanding the downstream sales channel. Boer Power will sturdily develop its business and be committed to maintain its leading position in the industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group's 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 30 June 2014, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB391 million (31 December 2013: RMB852 million), RMB1,667 million (31 December 2013: RMB1,660 million) and RMB1,976 million (31 December 2013: RMB1,965 million), respectively. As at 30 June 2014, the Group had bank loans amounting to RMB1,224 million (31 December 2013: RMB430 million).

ASSETS/LIABILITIES RATIO

The average inventory turnover days decreased by 13 days from 45 days as at 30 June 2013 to 32 days as at 30 June 2014, mainly due to the increased cost of sales during the period as well as effective implementation of the Group's inventory control which resulted in better management of inventory level. The average trade payables turnover days decreased slightly by 5 days from 354 days as at 30 June 2013 to 349 days as at 30 June 2014. The average trade receivables turnover days decreased by 100 days from 410 days as at 30 June 2013 to 310 days as at 30 June 2014, mainly attributable to the significant increase in turnover during the period which does not result in the same proportional rise in trade receivables due to improved management of the Group's outstanding trade receivables.

As at 18 August 2014, the Group received over RMB74,686,000 from customers for settlement of outstanding trade receivables at 30 June 2014.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any contingent liabilities.

TREASURY POLICIES

The Group's treasury function is centrally managed to achieve the most cost-efficient funding but with individual operating entities within the Group arranging for their own financing to meet the respective funding requirements. The Group's treasury policies are to regularly monitor the liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term, whilst investing in low risk and highly liquid investments in order to make good use of the Group's surplus cash and to enhance the Group's returns. The Group carefully weighs its overall interests when performing its treasury function by regularly and closely monitoring the returns, risks, costs and maturity profiles associated with its funding and investment portfolios. The significant increase in loans and investments during the reporting period was a result of the Group's due consideration of the benefits from obtaining low cost financing to derive higher returns after taking into account the low level of risks associated with the Group's investment strategies.

As at 30 June 2014, the Group's available-for-sale investments and bank loans amounted to RMB1,056 million and RMB1,224 million respectively. The available-for-sale investments are investments in quoted funds and unlisted wealth management products issued by banks, financial institutions or asset management companies, all of which are of low risk and highly liquid investments which are either redeemable on demand or with maturities within twelve months from the date of acquisition. Correspondingly, all the bank loans are of low interest rates with short term repayment period within one year, with the repayment dates for a majority of the bank loans arranged to correspond with the maturity period of the available-for-sale investments so as to minimize liquidity risk. Thus the Group's funding and investment portfolios are expected to enhance rates of returns while maintaining its liquidity nature so as to enhance the Group's return and shareholders' returns by dividends distribution on special and regular basis.

The Group closely monitors the interest rates of its bank loans and the risk and performance of its available-for-sale investments. The Group endeavors to establish natural foreign currency hedges via arranging for debt financing with bank borrowings in the same currencies of the available-for-sale investments.

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 INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals during the six months ended 30 June 2014. As at 30 June 2014, the Group held highly liquid available-for-sale investments in the aggregate amount of approximately RMB1,056 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 12 to the unaudited interim financial report. Such available-for-sale investments are considered to be low risk and high liquidity investments which are expected to enhance rates of returns while maintaining its liquidity nature so as to better manage 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 1,270 (2013: 1,331) employees as at 30 June 2014. The total staff costs for the period under review were approximately RMB49 million (six months ended 30 June 2013: RMB42 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company did not have any outstanding option at the beginning and at the end of the period. During the period, no options have been granted under the share option scheme adopted by the Company on 30 September 2010.

SHARE AWARD SCHEME

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

During the period, the Company had not purchased any of the Company's existing shares on the market for the purpose of the scheme.

During the period, no shares were granted under the scheme but 4,380,000 shares which were granted during the year ended 31 December 2013 were vested on 6 January 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Chief Executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and Chief Executives' interests or short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers, were as follows:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Directors			
Mr. Qian Yixiang	Interest of controlled corporation	517,500,000[(i)]	66.65
Ms. Jia Lingxia	Interest of controlled corporation	517,500,000[(i)]	66.65
Mr. Zha Saibin	Beneficial owner	780,000	0.10
Mr. Huang Liang	Beneficial owner	312,000	0.04
Mr. Zhang Huaqiao	Beneficial owner	1,194,000	0.15

Note:

(i) The 517,500,000 shares are owned by King Able Limited ("King Able"), a company owned as to 50% by Mr. Qian Yixiang, and 50% by Ms. Jia Lingxia. Mr. Qian Yixiang and Ms. Jia Lingxia are thus deemed to be interested in those shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors and Chief Executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2014, the following persons, other than a Director or Chief Executive of the Company, have an interest or short position in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Substantial shareholders			
King Able	Beneficial owner	517,500,000	66.65
The Capital Group Companies, Inc.	Interest of controlled corporation	69,748,000(i)	8.98
Capital Research and Management Company	Beneficial owner	43,889,000(i)	5.65

Note:

(i) The Capital Group Companies, Inc. is deemed to have interests in 69,748,000 shares as the direct holding company of Capital Research and Management Company, which owned 43,889,000 shares of the Company, and Capital Group International, Inc., which is deemed to be interested in 25,859,000 shares of the Company as the direct holding company of Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl, which owned 8,836,000, 2,401,000, 1,059,000 and 13,563,000 shares of the Company, respectively.

Save as disclosed above, as at 30 June 2014, the Company was not aware of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

UPDATED INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Set out below are the changes and updated information of the Directors:

Mr. Zhang Huaqiao ("Mr. Zhang") resigned as an Independent Non-executive Director of Fuguiniao Co., Ltd. (Stock Code: 1819) which is listed on the Main Board of the Stock Exchange on 30 June 2014. Mr. Zhang became an Independent Non-executive Director of Yancoal Australia Ltd (Stock Code: YAL) which is listed on the Australian Stock Exchange on 17 April 2014. He also acted as an Independent Non-executive Director of Luye Pharma Group Limited (Stock Code: 2186) and Ernest Borel Holdings Limited (Stock Code: 1856), which are listed on the Main Board of the Stock Exchange since 9 July 2014 and 11 July 2014, respectively. Mr. Zhang was appointed as an Independent Non-executive Director of Wanda Commercial Properties (Group) Co., Limited (Stock Code: 169) which is listed on the Main Board of the Stock Exchange with effect from 1 September 2014.

Mr. Yeung Chi Tat ceased to be an Independent Non-executive Director of Billion Industrial Holdings Limited (Stock Code: 2299) which is listed on the Main Board of the Stock Exchange since 21 May 2014.

Mr. Tang Jianrong resigned as the vice dean in the School of Business and a director of the MBA teaching centre at Jiangnan University in May 2014 but remains as a professor in the School of Business at Jiangnan University.

Save as disclosed above, as at 30 June 2014, there had not been any other changes to the Directors and senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintain 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 period under review, the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules with the exception of code provision A.2.1 of the Code which is 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. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2014 regarding Directors' securities transactions.

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 inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 June 2014.

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, 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 unaudited interim financial information for the six months ended 30 June 2014 of the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim 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 interim report of the Company for the six months ended 30 June 2014 will be dispatched to the shareholders in due course.

APPRECIATION

The Board 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.

On behalf of the Board
Qian Yixiang
Chairman

Hong Kong, 19 August 2014