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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)

CLARIFICATION ANNOUNCEMENT IN RESPONSE TO UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS AND RESUMPTION OF TRADING

This announcement is made at the request of the Stock Exchange and pursuant to Rule 13.10 of the Listing Rules.

The Board has noted the decrease in the price and increase in trading volume of the shares of the Company on 4 August 2015.

Reference is made to the Report and the announcement of the Company issued at 9:00 a.m. on 5 August 2015 in relation to the suspension of trading in the Shares. This announcement is made to refute or clarify the allegations or comments concerning the Group raised in the Report.

Save as disclosed in this announcement, after having made reasonable enquiries with respect to the Company as is reasonable in the circumstances, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 5 August 2015, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for trading in the Shares to resume from 9:00 a.m. on 10 August 2015.

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and pursuant to Rule 13.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board has noted the decrease in the price and increase in trading volume of the shares of the Company on 4 August 2015.

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This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

Reference is made to a news report (the "Report") on 31 July 2015, and the announcement issued by Boer Power Holdings Limited (the "Company", together with its subsidiaries, the "Group") at 9:00 a.m. on 5 August 2015, in relation to the suspension of trading in the shares of the Company (the "Shares"). The Company does not have any background information as to the identity of the author(s) of the Report, nor was there any meeting or contact from the author(s) of the Report with the Company before or after the issuance of the Report.

The Report contains certain allegations or comments on the Company which are factually erroneous, inaccurate, or misleading. This announcement is made to refute or clarify the allegations or comments concerning the Group raised in the Report. In the meantime, the Company reserves all legal rights against the author(s), the media on which the Report was published and any other parties it deems responsible for the release of the Report for damages or other relief.

The following sets out the Company's response to each of the allegations raised in the Report:

I. The Report stated that the Company has higher than industry average profit margin, based on which the Report alleged the Company seriously exaggerated its gross profit margin level.

The approach taken by the author of the Report in explaining the higher gross profit margin of the Group when compared against its competitors is overly simplistic and highly likely to mislead investors as to the business operations of the Group. It also suggests that the Group has a business where it is possible to make like-for-like comparisons between the Group's solutions and the solutions offered by other electrical distribution solutions providers, which is misleading. The Report also mentioned a PRC company as one of the Group's competitors and cited that it had a much lower profit margin. The Group utilizes self-owned cloud mega-data platform and abundant industry data and experience as basis, via real-time monitoring, remote controlling, data collection and analysis, provides one-stop high-end integrated intelligent electrical distribution systems and energy efficiency management solutions to clients globally, and is a comprehensive integrated solution provider, covering hardware, software, system and consultation services. The other PRC companies in the industry may be engaged in certain aspects of the Group's business, but the Group is special in being a comprehensive one-stop solution provider in the industry.

The Company would like to clarify that most of the Group's competitors for projects are subsidiaries of foreign companies and not PRC companies. In particular, the Group rarely competes against the said PRC company for projects. As much of the Group's projects require customised products, it is not possible to make like-for-like comparisons between the Group's solutions and the solutions offered by other electrical distribution solutions providers. In order to fully appreciate the business of the Group, the gross profit margins of each business segments of the Group should be examined. The Group's business primarily consists of 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").

Since 2011, the Company has repeatedly stated that the Group has been focusing on expanding its iEDS Solutions business segment for which the gross profit margins are higher than the other EDS and CSP segments, in order to improve its overall competitive advantage, market position and brand value. The Group has also been seeking to use new technology to provide unique branded products and energy saving product solutions to further strengthen its development in the area of intelligent power management and control to meet the needs of its customers. As a result of the above stated business strategies, the contributions from business segments with higher gross profit margins have increased substantially over the years. In particular, sales in hardware accounts for around 60% of total sales (arising from EDS Solutions, iEDS Solutions, EE Solutions and CSP Business), while sales in software, system and services now accounts for around 40% of total sales (arising from EDS Solutions, iEDS Solutions, EE Solutions and CSP Business). The projects with hardware accounts for more than 50% of the project have a gross profit margin of approximately 30%, while the projects with hardware accounts for less than 50% of the project have a gross profit margin of approximately 40%. The high proportion of our non-hardware sales is one of our core competitive advantages. The contributions to the total turnover of the respective business segments and their gross profit margins for the years ended 31 December 2013 and 2014 were set out on pages 57 and 58 of the annual report of the Company for the financial year ended 31 December 2014 ("2014 Annual Report"). Some of the key figures are also reproduced in the table below:

Business segments	**2013 % of total sales**	**2013 Gross margin**	**2014 % of total sales**	**2014 Gross margin**
iEDS Solutions	67.5%	35.1%	56.5%	32.2%
EE Solutions	17.5%	47.8%	33.6%	41.8%
CSP Business	14.3%	26.0%	9.4%	31.2%
EDS Solutions	0.7%	30.0%	0.5%	25.7%
Total	100%	36.0%	100%	35.3%

For the above stated reasons, the Company believes its average gross profit margin would likely be higher than other PRC companies in the industry since these PRC companies mainly operate in the EDS Solutions business segment where gross profit margin is lower.

II. The Report alleged the Group's core electrical distribution solution business has been shrinking.

The EDS Solutions business segment has not been a core business of the Group since 2011. The substantial decrease in the turnover of EDS Solutions has been replaced by the substantial increase in turnover of iEDS Solutions and EE Solutions business segments.

The Group has strategically focused on acting as a general contractor of mechanical and electrical solutions. By leveraging its smart cloud data platform, the Group acts as general contractor to provide integrated real-time monitoring, remote controlling, and data collection and analysis services into its one-stop iEDS and EE Solutions, which is different to the definition and services scope of traditional electrical distribution hardware manufacturers. The Group's most value-added services are data collection, analysis and commissioning maintenance based on equipment build-in sensors. The Company believes that the growth of the Group's general contracting projects represents clients' recognition of the Group's integrated solution services which meet clients' need for hardware, software, system and services. Comparing with low value-added services, general contracting projects are improving the Group's overall operating efficiency and profitability. As a result, the allegation is groundless and far from realities.

III. The Report alleged the Group's factoring business has low gross profit margin and provides extremely long credit terms to non-factoring related business.

The statement which projects that factoring arrangements have lower gross profit margin is wrong. The Group commenced facilitation of factoring arrangement to its customers in 2012. The Group assigns the trade receivables from sellers of the relevant products to the banks, while the banks, based on the acquisition of such creditor's right, pay the corresponding amount of trade receivables to the Group before the date of maturity of such trade receivables, and the purchaser would settle such amount with the banks upon maturity of such trade receivables. Factoring arrangements are value-added financial services that the Group provides to qualified customers, which reduce the customers' time pressure of the payments under the relevant project contracts and at the same time reduce the Group's outstanding trade receivables. The Company would like to highlight that (i) the provision of factoring services is done in the normal course of the Group's business operation and in the interest of the shareholders of the Company (the "Shareholders") as a whole; (ii) there is internal risk control procedures in place to mitigate the Group's risks; and (iii) the provision of factoring services to our customers were done following due consideration of their ability to pay and independently reviewed by the relevant banks for which we have leveraged on to provide the factoring services. As such, the arrangement itself will not materially affect the gross profit of a project. Since the Company started to offer factoring arrangement to customers, the average trade receivables turnover days were reduced from 297 days in 2012 to 271 days in 2013 and further to 215 days in 2014.

The trade receivables that were assigned to banks under the factoring arrangements are derecognized from the Group's trade receivables balance. Moreover, the calculation of average trade receivables turnover days purportedly used by the Report is potentially misleading. The Report simply used the outstanding trade receivables at the end of a reporting period to divide the revenue of the same period. The Report did not consider the impact on trade receivables across financial years in the calculation of trade receivables of factoring business to further exaggerate the number of trade receivables of non-factoring related business. As a result, we calculate trade receivable turnover based on average balance of trade receivables, and not based on the year end balance of trade receivables as in the Report. We consider this better reflects our operating efficiency and that this is in line with the general practice of financial statement analysis. The annual financial statements of the Company for the year ended 31 December 2014 disclosed that the Group's aging analysis of trade receivables, retention receivables and bills receivable is approximately 82% current. The 2014 financial statements were audited by the Group's independent auditor.

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, 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. The Group would generally offer credit terms with an approximate range of six to twelve months to customers.

In order to prevent the adverse impact on the Group from bad debts, the Group will actively assess the level of trade receivables regularly and estimates the relevant provisions based on the relevant credit history and prevailing market. This would require estimation and judgment, if the event or change in circumstances shows that the balance is non-collectible, the Group will make provision for such trade receivables. In general, the Group would assess the status of trade receivables at least once in every six months.

IV. The Report alleged the general contracting business as a percentage of the Group's total business is too high.

The Company wishes to clarify that its general contracting business is actually one of the essential ways to provide integrated real-time monitoring, remote controlling, and data collection and analysis services into its one-stop iEDS and EE Solutions based on cloud and mega data based platform. The Company would like to highlight that the provision of one-stop service to its customers allows the Group to improve its competitiveness in the market, and the Group has been consistently meeting different needs of its customers. In addition, the Group also needs to install sensors and finish data collection and analysis process for third parties' equipment procured on behalf of customers before those equipment can be integrated into the iEDS and EE Solutions.

V. The Report alleged that the Group's procurement from its largest supplier, Schneider Electric, decreased over the years.

The decrease of procurement from Schneider Electric is due to the increase in the use of self-manufactured components in the Group's new projects, which reduced the Group's reliance on third party supply and increased the Group's profitability.

The percentage of projects using self-manufactured components (for those substantially using our self-manufactured components, and in terms of sales amount for EDS Solutions, iEDS Solutions and EE Solutions) was approximately 50%, 60% and 70% in 2012, 2013 and 2014, respectively. The percentage of projects using self-manufactured components in terms of costs of sales was approximately 50%, 60% and 70% in 2012, 2013 and 2014, respectively. The Company believes that the increases in the use of self-manufactured components is a healthy indication of the Group's growing capability to manufacture increasingly more types of components of commercial quality on a commercial scale. Hence, instead of being a traditional electrical component manufacturer and distributor of components and solutions for global brands, the Group is an integrated solution provider of hardware and high profit margin software, system and services to customers.

VI. The Report stated that the trends of numbers and the contract prices of the Group's core businesses being EE Solutions and iEDS Solutions are unreasonable.

The top five customers of the Group as at the year end of 2014 are principally engaged in businesses of telecommunication, medical services, consumer goods, medical services and commercial properties, and they represented approximately 9%, 7%, 6%, 5% and 5% of our total revenue respectively. The Group customises its EE Solutions and iEDS Solutions for each of its customers and the contract prices substantially depend on the scale and requirement of each of the projects. As such, the Group believes it is beneficial to the Group's business to give priority to large corporate customers with sizeable contracts. In recent years, many of the Group's customers are market leaders in their respective fields, including China Mobile, China Unicom, and McDonald's (these three clients represented approximately 11% of the Group's total revenue for the year ended 2014). Despite the decreasing numbers of contracts, the average contract size has experienced a substantial increase as the scales of the projects contracted became larger and larger. In view of the background of the counterparties of our iEDS Solutions and EE Solutions businesses, we have no reason to doubt the accuracy of the size of our contracts and the ability of our customers to pay for such services.

VII. The Report questions the Group's business growth with reference to the change of numbers of the total employees.

The changes in the numbers of total employees as at the ends of 2013 and 2014 were mainly attributable to the implementation of automatic assembly lines. Automation has increased operational efficiency by reducing the manpower required in production, which resulted in a 10%–15% fall in number of production employees since 2013. Conversely, the numbers of employees in the sales department and the research and development department have progressively increased to satisfy the Group's growing business needs. The total number of employees was approximately 1,400 as of the date of this announcement, representing an increase of approximately 110 employees as compared to the end of the previous year. Among the 1,400 employees, 226 were sales representatives and 273 were research and development personnel.

VIII. The Report stated that the credit terms given to the customers are unusually high.

Such allegation is groundless as the average trade receivables turnover days of the Group was 297 days in 2012, 271 days in 2013 and 215 days in 2014, representing a notable improvement. Given the nature of the Group as a product-based business and the characteristics of corporate accounts, the Company believes such trade receivables turnover days are within a reasonable range.

The table below sets forth the information related to the Group's trade receivables (including retention receivables and bills receivable) for the indicated periods:

	Trade receivables at the year end *RMB'000*	**Trade receivables turnover days**	**Operating cash flow** *RMB'000*	**Cash and cash equivalents at the year end** *RMB'000*	**Dividend paid*** *RMB'000*	**Dividend payout ratio**
2012	1,034,372	297	347,938	382,007	73,638	25.0%
2013	978,102	271	548,870	851,690	191,184	55.4%
2014	1,432,749	215	509,868	1,287,182	230,467	50.2%

* Included dividends of approximately RMB1,978,000, RMB5,511,000 and RMB7,251,000 which are paid to the trustee under the Company's share award scheme in 2012, 2013 and 2014 respectively.

As illustrated by the table above, the Group's trade receivables turnover days has been decreasing from 2012 to 2014, and the Group's operating cash flow and cash and cash equivalents at the year end have been growing on a yearly basis. Meanwhile, the Company has maintained its dividend payout at 25% of net profit since its listing and paid special dividends respectively in 2013 and 2014. This shows the robust financial position and the healthy cash flow of the Group.

IX. The Report stated that the Group's inventory turnover days are unusual.

In response to the allegation about low inventory turnover days, the Company would like to clarify that the Group's projects are typically customised projects. Components are manufactured or ordered to customers' detailed specifications for the projects. As the components only become inventory when they have actually been received by the Group, and such components are then quickly installed in the projects, the Group's inventory appears low. The Group does not keep stock of finished products for order or purchase by clients, as a result, it has a comparatively lower inventory turnover days.

X. The ending of the Report stated that the Group's revenue is falsely high.

The Group's consolidated financial statements of 2014 were audited by the Group's independent auditor, which issued an unqualified auditor's opinions in the auditor's report. The auditor of the Company has not withdrawn its audit report for the financial statements for the year ended 31 December 2014. The Company maintains that the revenue, gross profit margin, profit margin, and profit after tax reflect a true and fair view of the results of operations of the Group as at 31 December 2014, whereas the figures stated in the ending of the Report are based on unjust calculation and confusing logics, misleading subjective and biased conjectures. Estimations and valuations based on such wrongfully calculated figures are completely incorrect.

CONCLUSION

The Company believes that the malicious and misleading allegations made in the Report are totally without merit and not accurately supported.

Based on the clarifications stated above, the board of directors of the Company (the "Board") believes that the allegations and comments in the Report were made without due consideration of the underlying facts, and are misleading to the Shareholders and potential investors.

After having made all reasonable inquiries, the Company is not aware that any of its sales managers has been interviewed by the author(s) of the Report. The Company will consider and adopt all reasonable measures to protect the interest of the Shareholders against malicious or reckless allegations. Currently, the Company is seeking advices from its legal advisers and reserves its rights to take legal actions against the author of the Report, the media on which the Report was published, and/or anyone it deems responsible for the publication of the Report for damage or other relief.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Wednesday, 5 August 2015, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for trading in the Shares to resume from 9:00 a.m. on 10 August 2015.

By Order of the Board
Boer Power Holdings Limited
Mr. Qian Yixiang
Chairman

7 August 2015, Hong Kong

As at the date hereof, the Board comprises of (i) five executive Directors: Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin, Mr. Qian Zhongming and Mr. Huang Liang; (ii) one non-executive Director: Mr. Zhang Huaqiao; and (iii) three independent non-executive Directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Zhao Jianfeng.