BOER POWER HOLDINGS LIMITED
博耳電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1685)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

- Turnover amounted to approximately RMB511.3 million, representing an increase of 15.2% as compared to last period.
- Turnover from sales of Intelligent Electrical Distribution System Solutions increased by 1.3% to approximately RMB271.1 million which represented 53.0% of total turnover.
- Turnover from sales of Energy Efficiency Solutions increased by 87.8% to approximately RMB141.4 million which represented 27.6% of total turnover.
- Turnover from Component and Spare Parts Business decreased by 1.7% to approximately RMB91.9 million which represented 18.0% of total turnover.
- Turnover from sales of Electrical Distribution System Solutions decreased by 7.4% to approximately RMB6.9 million which represented 1.4% of total turnover.
- Gross profit margin increased from 38.5% to 40.0%.
- Profit for the period attributable to equity shareholders of the Company increased by approximately 12.2% to approximately RMB94.4 million (Excluding non-operational contributions from “Other revenue” and “Gain on acquisition of a subsidiary”).
- Profit for the period attributable to equity shareholders of the Company increased by approximately 30.8% to approximately RMB130.8 million (Including non-operational contributions from “Other revenue” and “Gain on acquisition of a subsidiary”).
- Both basic and diluted earnings per share were RMB17.18 cents (2012: RMB13.08 cents).
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

The Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013, together with the comparative figures for the same period last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Turnover	*4*	**511,300**	443,929
Cost of sales		**(306,740)**	(273,209)
Gross profit		**204,560**	170,720
Other revenue	*5*	**36,442**	15,073
Gain on acquisition of a subsidiary		**–**	807
Selling and distribution expenses		**(25,131)**	(21,205)
Administrative expenses		**(68,611)**	(45,273)
Profit from operations		**147,260**	120,122
Finance costs	*6(a)*	**(4,394)**	(352)
Profit before taxation	*6*	**142,866**	119,770
Income tax	*7*	**(12,024)**	(19,775)
Profit for the period		**130,842**	99,995
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		**(432)**	378
Total comprehensive income for the period		**130,410**	100,373
Earnings per share			
Basic and diluted (RMB cents)	*8*	**17.18**	13.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	9	**218,905**	227,410
Construction in progress		**348**	180
Intangible assets		**10,300**	15,507
Lease prepayments		**78,881**	63,039
Prepayments for purchase of equipment and acquisition of land use right		**200**	5,887
Deferred tax assets		**4,222**	2,811
		312,856	314,834
Current assets			
Inventories		**77,868**	73,688
Trade and other receivables	10	**1,338,419**	1,101,689
Pledged deposits		**135,012**	27,101
Available-for-sale investments		**340,000**	245,000
Time deposits with original maturity over three months		**142,033**	249,442
Cash and cash equivalents		**315,406**	382,007
		2,348,738	2,078,927
Current liabilities			
Bank loans	11	**248,499**	–
Trade and other payables	12	**655,992**	638,035
Current taxation		**11,418**	12,111
		915,909	650,146
Net current assets		**1,432,829**	1,428,781
Total assets less current liabilities		**1,745,685**	1,743,615
Non-current liabilities			
Deferred tax liabilities		**5,434**	5,968
NET ASSETS		**1,740,251**	1,737,647
CAPITAL AND RESERVES			
Share capital		**66,241**	66,241
Reserves		**1,674,010**	1,671,406
TOTAL EQUITY		**1,740,251**	1,737,647

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

Boer Power 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 Group is 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 information 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 26 August 2013.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements.

The preparation of interim financial information 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 information 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 2012 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 information 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.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial information 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 2012 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 2013.

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");

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

– Components and Spare Parts Business ("CSP Business").

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

	EDS Solutions *RMB'000*	**iEDS Solutions** *RMB'000*	**EE Solutions** *RMB'000*	**CSP Business** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2013					
Turnover	**6,967**	**271,067**	**141,364**	**91,902**	**511,300**
Cost of sales	**(4,822)**	**(159,805)**	**(70,521)**	**(71,592)**	**(306,740)**
Gross profit	**2,145**	**111,262**	**70,843**	**20,310**	**204,560**
Six months ended 30 June 2012					
Turnover	7,525	267,653	75,269	93,482	443,929
Cost of sales	(5,143)	(165,273)	(36,453)	(66,340)	(273,209)
Gross profit	2,382	102,380	38,816	27,142	170,720

5. OTHER REVENUE

	Six months ended 30 June	
	2013 *RMB'000*	2012 *RMB'000*
Interest income from financial institutions	**5,053**	12,114
Investment income	**2,963**	1,042
Government grants	**27,446**	1,435
Others	**980**	482
	36,442	15,073

6. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2013	2012
		RMB'000	*RMB'000*
(a)	Finance costs:		
	Interest on bank borrowings	**4,394**	352
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**3,325**	2,729
	Salaries, wages and other benefits	**38,568**	30,969
		41,893	33,698
(c)	Other items:		
	Amortisation of intangible assets	**1,702**	1,619
	Amortisation of lease prepayments	**784**	368
	Depreciation	**10,219**	8,590
	Impairment losses for trade receivables	**4,611**	1,227
	Impairment losses for intangible assets	**5,500**	–
	Operating lease charges in respect of properties	**1,579**	1,214
	Research and development costs (other than staff costs)	**16,735**	14,492
	Loss on disposal of property, plant and equipment	**9**	–
	Net foreign exchange losses/(gains)	**1,485**	(1,432)
	Cost of inventories#	**306,740**	273,209

\# Cost of inventories includes RMB21,884,000 (six months ended 30 June 2012: RMB17,475,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

7. INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**11,863**	20,061
Withholding tax	**2,106**	–
Deferred tax		
Origination and reversal of temporary differences	**(1,945)**	(286)
	12,024	19,775

7. INCOME TAX (Continued)

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 2013 and 2012.

(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.

(iv) Withholding tax

Withholding tax mainly represented taxes levied on the 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. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB130,842,000 (six months ended 30 June 2012: RMB99,995,000) and the weighted average of 761,677,000 ordinary shares (2012: 764,667,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2013 and 2012, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB1,738,000 (six months ended 30 June 2012: RMB5,376,000).

As at 30 June 2013, 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 RMB113,700,000 (31 December 2012: RMB116,157,000).

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

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Current	**1,011,179**	797,113
Less than 3 months past due	**48,371**	76,900
More than 3 months but less than 6 months past due	**85,864**	77,026
More than 6 months but less than 1 year past due	**88,746**	55,745
More than 1 year past due	**32,903**	27,588
Trade receivables and bills receivable, net of allowance for doubtful debts	**1,267,063**	1,034,372
Prepayment, deposits and other receivables	**71,356**	67,317
	1,338,419	1,101,689

All of the trade and other receivables except for retentions held by customers of RMB173,782,000 (2012: RMB156,872,000) are expected to be recovered or realised within one year.

At 30 June 2013, the Group's trade receivables of RMB10,363,000 (2012: RMB5,752,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

As at 23 August 2013, the Group received over RMB103,350,000 from customers for settlement of outstanding trade receivables at 30 June 2013.

11. BANK LOANS

At 30 June 2013, all of the bank loans were repayable within one year with effective interest rates from 1.2% to 6.0% per annum and were secured by the following:

(i) Bank deposits of RMB106,500,000;

(ii) Guarantee of RMB60,000,000 provided by a subsidiary in the Group;

(iii) Personal guarantee of RMB60,000,000 provided by the Executive Directors, Mr. Qian Yixiang and Ms. Jia Lingxia; and

(iv) Available-for-sale investments with principal guarantee of RMB34,000,000.

12. 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 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Due within 1 month or on demand	**590,810**	549,914
Due after 1 month but within 3 months	**24,309**	25,885
Due after 3 months but within 6 months	**1,248**	1,633
Trade payables and bills payable	**616,367**	577,432
Receipts in advance	**7,750**	9,231
Other payables and accruals	**31,875**	51,372
	655,992	638,035

13. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period, of HK12 cents per share amounted to RMB71,660,000 (six months ended 30 June 2012: RMB62,660,000).

14. CONCENTRATION OF SUPPLIERS

The Group has a certain concentration of suppliers as 36.7% (six months ended 30 June 2012: 24.3%) of the total raw materials were purchased from a single supplier for the six months ended 30 June 2013. 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.

15. CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property, plant and equipment outstanding at 30 June 2013 not provided for in the interim financial information were as follows:

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Authorised but not contracted for	**168,750**	187,280

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2013, the global economy showed signs of upturn, yet the road to economic recovery still remains challenging. China's economic growth was maintained at a steady pace, with the gross domestic product reaching RMB24.8 trillion in the first half of the year, representing an increase of 7.6% over the same period last year. The fixed asset investment increased by 23.4% to RMB11.6 trillion. Power generation volume of main products in the industrial segment maintained a relatively rapid growth momentum, as reflected from the increase in the power generation volume of 4.4% to 2.4 trillion kWh during the first half of the year. China's economic growth and increasing urbanization will bring new opportunities for the electricity consumption market.

Business Review

The Group has four business segments:

– Electrical Distribution System Solutions ("EDS Solutions");

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions");

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

– Components and Spare Parts Business ("CSP Business").

During the six months ended 30 June 2013, the Group performed well overall. In particular, EE Solutions recorded sound performance. While stepping up efforts to promote its products and solutions among customers from various sectors via different marketing channels, the Group also took active steps to seek out and explore new business opportunities with the existing and potential customers. The Group has successfully carried out overseas acquisition projects and strengthened its technical development capabilities in order to seize business opportunities arising from the intelligent electrical distribution system market within and outside China and to lift its competitive edges at the same time.

In the first half of 2013, the Group vigorously strived for further development in the high-end market by reaching out to new customers with the offering of a wide array of new products and value-added services. The Group defines the current year as "Year of Market Exploration", endeavouring to promote the green concept of Boer's products to the public through various marketing channels and platforms. The Group will also establish a better built sales structure in new business regions, in order to develop a more distinctive brand image and carve out a leading niche in the market.

As at 30 June 2013, the Group's outstanding contract backlog amounted to approximately RMB1,280.6 million, which comprises of iEDS Solutions, EE Solutions and CSP Business segment contracts, mainly from customers in industries of data centers, telecommunication and railway transit. Most of the outstanding contract backlog is expected to be completed by the end of this year.

The total turnover of the Group amounted to RMB511,300,000 for the six months ended 30 June 2013, representing an increase of 15.2% as compared to that of 2012. The increase in turnover was mainly a result of the increase in market demand for the Group's solutions and products and the expansion of sales network.

The total profit attributable to the equity shareholders of the Company amounted to RMB130,842,000 for the six months ended 30 June 2013, representing an increase of 30.8% as compared to that of 2012. Excluding non-operational contributions from "Other revenue" and "Gain on acquisition of a subsidiary", the profit attributable to the equity shareholders of the Company amounted to approximately RMB94,400,000 for the six months ended 30 June 2013, representing an increase of 12.2% as compared to that of 2012. The increase in profit from operations of the Group was mainly due to the substantial increase in revenue contribution from the EE Solutions business segment.

As at 30 June 2013, the total assets of the Group were RMB2,661,594,000 (31 December 2012: RMB2,393,761,000) while the total liabilities were RMB921,343,000 (31 December 2012: RMB656,114,000) and the total equity of the Group amounted to RMB1,740,251,000 (31 December 2012: RMB1,737,647,000).

Operation and Financial Review

Other than EDS Solutions, the other business segments performed well and in particular, sound performance and significant growth was recorded for 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. The Group provides integrated electrical distribution systems and solutions, design dedicated electrical distribution systems according to customers' operating requirements, and provide matching medium- and low-voltage electrical distribution equipment.

The total sales of EDS Solutions of the Group for the six months ended 30 June 2013 amounted to RMB6,967,000 (2012: RMB7,525,000), representing 1.4% (2012: 1.7%) of the Group's total turnover during the period. The reportable gross profit of this business segment during the period was RMB2,145,000 (2012: RMB2,382,000), representing a decrease of 9.9% as compared to that of 2012.

The gross profit margin of EDS Solutions segment decreased slightly from 31.7% for 2012 to 30.8% for the period.

iEDS Solutions

On top of EDS Solutions, the Group also provides electrical distribution systems with automation features, such as automatic data acquisition and analysis, remote control and automated diagnosis, through which the users can remotely control their electrical distribution systems and analyse the operating status. These functions are useful and important to the users who require more stable and safer electrical distribution systems, such as data centers, telecommunication and medical services industries.

The total sales of iEDS Solutions of the Group for the six months ended 30 June 2013 was RMB271,067,000 (2012: RMB267,653,000), which accounted for approximately 53.0% (2012: 60.3%) of the Group's total turnover during the period. The reportable gross profit of this business segment was RMB111,262,000 (2012: RMB102,380,000), representing an increase of 8.7% as compared to that of 2012.

The gross profit margin of iEDS Solutions segment increased from 38.3% for 2012 to 41.0% for the period.

EE Solutions

Based on the data collected by the electrical distribution systems using our iEDS Solutions, the Group can analyse and improve the safety, stability and efficiency of our customers' electrical distribution systems and provide equipment and systems to improve the energy efficiency of its customers' electrical distribution systems. EE Solutions services include the provision and maintenance of equipment and a number of other value-added services.

The total sales of EE Solutions of the Group for the six months ended 30 June 2013 was RMB141,364,000 (2012: RMB75,269,000), which accounted for approximately 27.6% (2012: 17.0%) of the Group's total turnover during the period. The substantial increase in the sales of EE Solutions was a result of increased marketing efforts in this business segment and also increasing demand from the customers to upgrade their electrical distribution system to increase electricity usage efficiency and reduce cost. The reportable gross profit of this business segment was RMB70,843,000 (2012: RMB38,816,000), representing an increase of 82.5% as compared to that of 2012.

The gross profit margin of EE Solutions segment decreased from 51.6% for 2012 to 50.1% for the period.

CSP Business

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

The total sales of the CSP business of the Group for the six months ended 30 June 2013 was RMB91,902,000 (2012: RMB93,482,000), which accounted for approximately 18.0% (2012: 21.0%) of the Group's total turnover during the period. The reportable gross profit of this business segment was RMB20,310,000 (2012: RMB27,142,000), representing a decrease of 25.2% as compared to that of 2012.

The gross profit margin of CSP Business segment decreased from 29.0% for 2012 to 22.1% for the period due to pricing adjustments in the CSP market.

Prospect

In light of higher requirements on safety and reliability standards of electricity supply along with China's rapid economic development, the electricity industry has higher demand for energy saving, emission reduction and environmentally-friendly features. Boer Power has been provided with a favorable platform for its development in view of the country's policy on energy conservation and the increasing trend on the use of green energy.

To accommodate for China's economic development, State Grid Corporation of China has unveiled its plans relating to the further acceleration of the construction of smart grids for the second half of the year. Among these plans, company-wide effort will be extended on the construction of major projects and the construction and renovation of distribution networks as well as the enhancement of the intelligence level of smart grids. According to the energy conservation analysis performed by National Development and Reform Commission ("NDRC") in the first half of 2013, NDRC points out the trend of energy-saving and emission reduction is of huge development potential and considers that the energy saving and environmental protection industry will be blessed with tremendous market demand and immense development potential should full efforts be put into promotion of energy saving and emission reduction. The Group considers that the expected solid rebound of the growth in China's electricity demand in 2013 will bring a mixture of opportunities and challenges for Boer Power.

In recent years, Boer Power has been committed to achieving higher standards of excellence for environmental protection technologies and equipment, and to expand its market share on energy saving and environmental protection products. The Group will offer its customers access to an entire range of environmental protection services and systems, in an effort to provide a more comprehensive range of products and services to customers. At the same time, the Group will continue adopting its focused business development strategy to establish a strong foundation in the high-end market. The Group will speed up its current pace of development by exploring new business opportunities in a wider array of industries and expanding its downstream sales channels. The Group will also seek for possible opportunities of mergers and acquisitions in different regions and strengthen its research and development abilities in all aspects which will enhance the core values of the Group. The Group will take on a brand new dimension of business goals by actively capturing opportunities in different industries.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources. The Group's financial instruments comprises cash and cash equivalents, time deposits with original maturity over three months, available-for-sale investments, trade and other receivables, trade and other payables and bank loans. As at 30 June 2013, the cash and cash equivalents, net current assets and total assets less current liabilities were RMB315 million (31 December 2012: RMB382 million), RMB1,433 million (31 December 2012: RMB1,429 million) and RMB1,746 million (31 December 2012: RMB1,744 million), respectively. As at 30 June 2013, the Group had bank loans amounting to RMB248 million (31 December 2012: Nil).

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

Contingent Liabilities

As at 30 June 2013, the Group did not have any contingent liabilities.

Financial Management Policies

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal export sales and the impact of foreign currency risk on the Group's total sales is minimal.

Significant Investment Held, Material Acquisition and Disposal

The Group had no significant investments held or material acquisitions and disposals during the six months ended 30 June 2013.

Employees and Remuneration Policy

The Group had 1,331 (31 December 2012: 1,294) employees as at 30 June 2013. The total staff costs for the period under review were approximately RMB42 million (six months ended 30 June 2012: RMB34 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.

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 was informed by the trustee that it had purchased an aggregate of 13,000,000 shares 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the share award scheme, pursuant to the terms of the rules and trust deed of the share award scheme, purchased on the Stock Exchange a total of 13,000,000 of the Shares at a total consideration of RMB56,146,000.

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

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 and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with the exception of code provisions A.2.1 and E.1.2 of the Code which are explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code provision E.1.2

Code provision E.1.2 stipulates that the Chairman of the Board should attend the Annual General Meeting. Mr. Qian Yixiang was unable to attend the 2012 AGM which was held on 30 May 2013 due to other business engagements. Mr. Qian Yixiang had appointed Mr. Huang Liang, an Executive Director, as his delegate to chair the 2012 AGM and to answer the questions from shareholders. The Chairman of the Audit, Nomination and Remuneration Committee, Mr. Yeung Chi Tat, was also available to answer questions at the 2012 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by 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 2013 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 price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee of the Company has four members comprising of three Independent Non-Executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong, 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 2013 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 period ended 30 June 2013 will be dispatched to the shareholders in due course.

APPRECIATION

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

THE BOARD

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

On behalf of the Board
Qian Yixiang
Chairman

Hong Kong, 26 August 2013