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

2018
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

Non-executive Director

Mr. Zhang Huaqiao

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Tang Jianrong
Mr. Qu Weimin

AUDIT COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
Mr. Tang Jianrong
Mr. Qu Weimin
Mr. Zhang Huaqiao

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
Mr. Tang Jianrong
Mr. Qu Weimin
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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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HONG KONG SHARE REGISTRAR

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COMPANY'S WEBSITE

www.boerpower.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group"), I report to shareholders the interim results of the Group for the six months ended 30 June 2018 ("1HY2018" or the "Period").

Among the pioneers of developing cloud platform and ecosystem for big data power distribution in the domestic industry, the Group always upholds its corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment", and provides one-stop comprehensive solutions, ranging from traditional power distribution to high-end intelligent power distribution and energy efficiency management, for various customers across diverse industries including data centers, telecommunications, infrastructure, sewage treatment, rail transit and state grid, etc. Through the self-owned "Cloud Smart" data platform, the Group can provide customers with non-stop services, including uninterrupted power monitoring, real-time data post back, energy efficiency analysis and enterprise electricity data collection, etc. to implant the Internet genes into Boer Power. In addition to the basic services of cloud operation and maintenance, the Group has launched "Cloud+" full-cycle products and services leveraging on the historical data of enterprise electricity consumption over 30 years and the accumulation of big data on cloud platform in the past 6 years to meet the comprehensive needs of enterprise customers for services ranging from power supply design and implementation, power data monitoring and equipment operation and maintenance, to power supply optimization and energy conservation, thereby becoming an all-round power housekeeper and consultant of the customers. The "Cloud+" full-cycle products and services provide an edge for the Group and make Boer Power the pioneer and leader with cloud genes in the industry.

Suffering from the adjustment period and the early days of the step-by-step business recovery amidst challenges, the Group continued to actively promote sales, accelerate business development and improve its profitability during the Period. Seizing the domestic opportunities from accelerated expansion of data centers and intelligent upgrades in manufacturing industry, the Group performed well in six months ended 30 June 2018 both in long-term and high-quality customers' orders and new customer development. With respect to overseas business, following the major domestic and foreign general contractors, the Group actively participated in a number of overseas engineering projects and increased the Group's overseas market revenue accordingly, based on the in-depth local promotion from self-owned branches. In 1HY2018, driven mainly by the increase in the proportion of high-margin projects, the Group improve its profitability, thus the gross profit increased steadily to RMB119 million, nearly rising by 7% year-on-year. Through the effective cost management, excluding the effect of a one-off substantial impairment provision for trade and other receivables (the "Provision"), of which revenue was recognized before 2016, the operating profit, profit before taxation and operating cash inflow improved significantly, amounted to RMB60.4 million, RMB34.6 million and RMB134.5 million respectively.

The Group actively carried out its work in relation to the recovery of receivables. However, under the influence of the tightened monetary policies implemented in recent years, some domestic companies have experienced cash flow problems, which has hindered the Group's recovery of receivables during the Period. In view of the further overdue of receivables from certain customers, the Group has decided to make provisions accordingly. We have acknowledged that a strict and all-round internal controlling system is a key protection against similar overdues as well as a support to the long-term development of Boer Power. The Group continued to implement its stringent internal control and strengthened risk control and the recovery of receivables. As such, the assets and liabilities structure, continued to be optimized and cash flow level continued to improve during the Period. As the financial policies in China has changed in late July 2018, it is expected that the tightened market capital will be relieved gradually, which might benefit the Group in further recovery of trade receivables in the future.

CHAIRMAN'S STATEMENT (continued)

Looking back on 1HY2018, the Group's sales continued to recover. The "Cloud+" full-cycle products and services were accepted by new and existing customers. During the Period, it successfully won the project of China Life Insurance Jinan Branch, which generated sales of tens of millions for the Company and also became another successful case of the "Cloud+" full-cycle product and service applied to large commercial project.

With respect to data centers, the Group has the first-mover advantage and a long-term leading position, and has successfully established in-depth business relationship with large independent third-party data center operators including Global Data Solutions, Centrin Data systems and Rangei DC, three major domestic telecommunications operators, Internet giants including Alibaba and Baidu, and leading domestic financial services institutions such as China UnionPay in terms of long-term and sustainable cooperation in operation and maintenance of existing projects and new projects. During the Period, the Group successfully secured orders from engineering projects of China Telecom in Shanghai, Guangdong, Shaanxi, Yunnan and Shanxi. It is more encouraging that China Telecom's new data centers nationwide will adopt the intelligent power distribution components under the Group's self-owned brand, which is undoubtedly the highest recognition of the quality and technological level of the Group's products. Moreover, in July 2018, the Group also successfully secured an order from GDS, a long-term customer, with a contract value of RMB20 million, to provide efficient and safe intelligent power distribution solutions for its Phase 1 of the Waigaoqiao Data Center project located in Shanghai. With sufficient confidence, the Group believes that the high quality and efficiency of its own products and services and its excellent track record in the data center industry will enable us to seize the opportunities in the vast market resulted from the era of big data, while data centers will continue to be an important field to the Group's intensive business development and the impetus to continuous improvement in profitability.

In addition to the opportunities in data center industry, the intelligent and green development of Chinese manufacturing industry, as well as the trend of scalability and globalization of the companies have also generated new opportunities for the Group's business. During the Period, the Group successfully won the bidding on a project of smart factory of a globally leading solar enterprise of China, and provided products and services to long-term customers including Anheuser-Busch InBev, Suez Water and China Mobile to meet their new demands brought by industrial upgrading to intelligent power distribution solution. On the other hand, the Group has successfully extended its product line to the sector of electromechanical products of urban rail transit. In early August 2018, the Group further collaborated with Qingdao Metro on the Line No. 1 project to provide low voltage (environmentally-controlled) switchgear for the project. With the support of national policies, investment will increase significantly in the second half of the year, while infrastructure projects will proceed on a fast track, which is expected to bring new opportunities to the Group's business development in various infrastructure-related sectors such as rail transit and sewage treatment.

While stabilizing and maintaining the leading advantages in the domestic market, the Group also took the initiative to identify suitable opportunities from countries along the "Belt and Road" and other developing countries in Asia, Africa and Latin America to accelerate the expansion of overseas business. In addition to the independent winning of the bidding on a forestry-pulp-paper integration project in Amazar, Russia, during the Period the Group partnered with major domestic and foreign general contractors to participate in large-scale infrastructure projects in various countries, including Maldives, Algeria, Angola, Russia, Congo (Kinshasa), Pakistan and Cambodia. In the future, the Group will continue to expand its business overseas both by deepening its business cooperation with domestic and foreign general contractors and accelerating the local business exploration of overseas branches.

CHAIRMAN'S STATEMENT (continued)

The launch of "Cloud+" full-cycle products and services marked the 3.0 era of the Group's products, and the supporting from self-owned cloud and electricity consumption database across diverse industries enabled the Group to become one of the few companies in the industry equipped with high-end customization capabilities in the intelligent and energy conservation power distribution solutions for the industry generally. As such, the Group gained the first-mover advantages. As the core of the "Cloud+" full-cycle products and services, Boer Power's operation and maintenance management service platform, "Electronic housekeeper", was not only repeatedly accepted by customers, but also won recognition from the government and industry experts during the Period, and thus it was selected as the "Start-ups and Innovation" demonstration platform of the manufacturing industry of Jiangsu Province.

On behalf of the Board, I would like to express my most sincere gratitude to the tenacious Boer staff who have shown execution, innovation and utmost diligence and dedication. It is the staff united as one that makes the Group go through the rough adjustment period and the early days of business recovery, and once again show up the steady growth trend. I would also like to extend my gratitude to our shareholders, investors, long-term customers and business partners for their continual devotion and consistent support. We will continue to adhere to our initial vision and uphold the pragmatic operation and positive approach to achieve development and actual results to reward the trust from all of you.

Qian Yixiang
Chairman

15 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	 2017 RMB'000 (Unaudited) *(Note)*
Revenue	4	**388,811**	392,139
Cost of sales	4	**(269,425)**	(280,322)
Gross profit	4	**119,386**	111,817
Other income	5	**12,944**	5,148
Selling and distribution expenses		**(25,999)**	(24,382)
Administrative expenses		**(45,965)**	(58,964)
Impairment losses for trade and other receivables	6(c)	**(402,981)**	–
(Loss)/profit from operations		**(342,615)**	33,619
Finance costs	6(a)	**(25,737)**	(25,980)
(Loss)/profit before taxation	6	**(368,352)**	7,639
Income tax credit/(expense)	7	**45,625**	(7,232)
(Loss)/profit for the period		**(322,727)**	407
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		**(6,998)**	21,680
Total comprehensive income for the period		**(329,725)**	22,087
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(292,415)**	2,275
Non-controlling interests		**(30,312)**	(1,868)
(Loss)/profit for the period		**(322,727)**	407
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(299,413)**	23,955
Non-controlling interests		**(30,312)**	(1,868)
Total comprehensive income for the period		**(329,725)**	22,087
(Loss)/earnings per share (RMB cents)	8		
Basic		**(39)**	0.3
Diluted		**(39)**	0.3

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited (Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited) *(Note)*
Non-current assets			
Investment property, other property, plant and equipment	9	**448,247**	479,800
Construction in progress		**2,042**	–
Intangible assets		**3,182**	3,905
Lease prepayments		**33,120**	33,806
Available-for-sale investment		**–**	10,348
Other financial asset		**10,846**	–
Deferred tax assets		**258,008**	199,852
		755,445	727,711
Current assets			
Inventories		**121,987**	100,700
Trade and other receivables	10	**1,532,261**	2,093,637
Current tax asset		**3,137**	8,111
Pledged deposits		**154,190**	336,173
Cash and cash equivalents	11	**16,430**	15,655
		1,828,005	2,554,276
Current liabilities			
Borrowings	12	**797,213**	963,756
Trade and other payables	13	**439,782**	523,795
Amounts due to related parties	19(a)(ii)	**308,938**	431,422
Obligations under finance leases		**14,910**	6,702
Current tax liabilities		**17,753**	16,507
		1,578,596	1,942,182
Net current assets		**249,409**	612,094
Total assets less current liabilities		**1,004,854**	1,339,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2018 – unaudited (Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited) *(Note)*
Non-current liabilities			
Borrowings	12	**63,000**	63,000
Obligations under finance leases		**78,524**	86,930
Deferred tax liabilities		**4,551**	1,629
		146,075	151,559
NET ASSETS		**858,779**	1,188,246
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**832,599**	1,131,857
Total equity attributable to equity shareholders of the Company		**898,609**	1,197,867
Non-controlling interests		**(39,830)**	(9,621)
TOTAL EQUITY		**858,779**	1,188,246

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – 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	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		66,010	(100,121)	20,710	1,505	250,347	21,436	372	(89,433)	1,198,441	1,369,267	(20,527)	1,348,740
Profit/(loss) for the period		–	–	–	–	–	–	–	–	2,275	2,275	(1,868)	407
Other comprehensive income		–	–	–	–	–	–	–	21,680	–	21,680	–	21,680
Total comprehensive income for the period		–	–	–	–	–	–	–	21,680	2,275	23,955	(1,868)	22,087
Capital injection into subsidiaries		–	–	–	–	–	–	–	–	–	–	250	250
Appropriation to statutory reserve		–	–	–	–	1,174	–	–	–	(1,174)	–	–	–
Balance at 30 June 2017		66,010	(100,121)	20,710	1,505	251,521	21,436	372	(67,753)	1,199,542	1,393,222	(22,145)	1,371,077
Balance at 31 December 2017		66,010	(100,121)	20,710	1,505	252,337	21,436	372	(39,859)	975,477	1,197,867	(9,621)	1,188,246
Impact on initial application of HKFRS 9	3	–	–	–	–	–	–	–	–	155	155	103	258
Adjusted balance at 1 January 2018		66,010	(100,121)	20,710	1,505	252,337	21,436	372	(39,859)	975,632	1,198,022	(9,518)	1,188,504
Loss for the period		–	–	–	–	–	–	–	–	(292,415)	(292,415)	(30,312)	(322,727)
Other comprehensive income		–	–	–	–	–	–	–	(6,998)	–	(6,998)	–	(6,998)
Total comprehensive income for the period		–	–	–	–	–	–	–	(6,998)	(292,415)	(299,413)	(30,312)	(329,725)
Appropriation to statutory reserve		–	–	–	–	1,143	–	–	–	(1,143)	–	–	–
Balance at 30 June 2018		66,010	(100,121)	20,710	1,505	253,480	21,436	372	(46,857)	682,074	898,609	(39,830)	858,779

The notes on pages 10 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) *(Note)*
Operating activities			
Cash generated from operations		**137,922**	2,626
Tax paid		**(3,389)**	(2,841)
Net cash generated from/(used in) operating activities		**134,533**	(215)
Investing activities			
Payment for construction in progress		**(1,000)**	(18,388)
Payment for purchase of property, plant and equipment		**(16,371)**	(545)
Proceeds from maturity of time deposits with original maturity over three months		**–**	3,000
Placement of pledged deposits		**(14,249)**	(227,342)
Withdrawal of pledged deposits		**196,232**	400,156
Other cash flows arising from investing activities		**4,015**	1,583
Net cash generated from investing activities		**168,627**	158,464
Financing activities			
Proceeds from borrowings		**370,219**	534,338
Repayment of borrowings		**(534,804)**	(555,997)
Advance from related parties	19(a)(i)	**654,853**	401,260
Repayment of advance from related parties		**(767,354)**	(516,004)
Payment for interest on borrowings		**(23,273)**	(21,275)
Interest element of finance lease rentals paid		**(1,842)**	(1,859)
Other cash flows (used in)/arising from financing activities		**(198)**	56
Net cash used in financing activities		**(302,399)**	(159,481)
Net increase/(decrease) in cash and cash equivalents		**761**	(1,232)
Cash and cash equivalents at 1 January	11	**15,655**	27,836
Effect of foreign exchanges rates changes		**14**	(2)
Cash and cash equivalents at 30 June	11	**16,430**	26,602

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 35 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 (the "Listing Rules"), 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 15 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 pages 36 to 37.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The Company's auditor expressed an unqualified opinion on those financial statements, but included a material uncertainty related to going concern section, in its report dated 27 March 2018.

2. BASIS OF PREPARATION (continued)

During the period ended 30 June 2018, the Group recorded a loss of RMB322,727,000. In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience in net operating cash outflows. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

(i) the Group has entered into several loan facility agreements with the controlling shareholders and other related parties in 2016 and 2017, which will be renewed before expiration of facilities, for general working capital purposes. The loans are unsecured, non-interest bearing and repayable on demand. As at 30 June 2018, the Group's unused loans facilities was RMB836,969,000 (Note 19);

(ii) the Group expects to generate positive operating cash flows from the recovery of trade receivables for the next twelve months; and

(iii) the Group has entered into cooperation agreements and reached cooperation intentions with asset management companies and financial leasing companies as an alternative capital-raising channel of the Group's operation.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim financial report on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the interim financial report.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, which is not significant. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 December 2017 RMB'000	Impact on initial application of HKFRS 9 *(Note 3(b))* RMB'000	Impact on initial application of HKFRS 15 *(Note 3(c))* RMB'000	**At 1 January 2018 RMB'000**
Available-for-sale investment	10,348	(10,348)	–	**–**
Other financial asset	–	10,606	–	**10,606**
Total non-current assets	727,711	258	–	**727,969**
Reserves	(1,131,857)	(155)	–	**(1,132,012)**
Total equity attributable to equity shareholders of the Company	(1,197,867)	(155)	–	**(1,198,022)**
Non-controlling interests	9,621	(103)	–	**9,518**
Total equity	(1,188,246)	(258)	–	**(1,188,504)**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments*: *recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Based on the assessment by the Group, there is no significant cumulative effect of the initial application of HKFRS 9 at 1 January 2018 in accordance with the transition requirement.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

	RMB'000
Retained earnings	
Remeasurement of financial asset now measured at FVPL	155
Non-controlling interests	
Remeasurement of financial asset now measured at FVPL	103

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 Carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	**HKFRS 9 Carrying amount at 1 January 2018 RMB'000**
Financial assets carried at FVPL				
Equity investment *(note)*	–	10,348	258	**10,606**
Financial assets classified as available-for-sale under HKAS 39 *(note)*	10,348	(10,348)	–	**–**

Note:

Under HKAS 39, equity investment not held for trading was classified as available-for-sale financial asset. The equity investment is classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(i) *Classification of financial assets and financial liabilities (continued)*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 3(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged deposits and trade and other receivables);

– contract assets as defined in HKFRS 15, which are included in trade and other receivables (see note 3(c));

– financial guarantee contracts issued (see note 3(b)(i)).

Financial assets measured at fair value, including equity investment measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

The Group has concluded that there is no material impact on opening balances as at 1 January 2018 for the application of this new accounting policy.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect this change in presentation, trade receivables of RMB46,507,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15.

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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.

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

The Group's customer base is diversified and includes one (six months ended 30 June 2017: one) customer with whom transactions have exceeded 10% of the Group's revenues. For the six months ended 30 June 2018, revenues from this customer amounted to approximately RMB65,805,000 (six months ended 30 June 2017: RMB43,910,000).

(b) Segment reporting

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"), which include product line series of electrical distribution system that lies between grid and end users to distribute electricity at converted voltage for end users;

– 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, provision of engineering, procurement, construction and maintenance services of photovoltaic power plant, and sales of electricity generated from self-owned photovoltaic power plants; and

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (continued)

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

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
Six months ended 30 June 2018				
EDS Solutions	**197**	**(147)**	**50**	**6**
iEDS Solutions	**167,962**	**(123,079)**	**44,883**	**5,338**
EE Solutions	**128,004**	**(70,710)**	**57,294**	**3,040**
CSP Business	**92,648**	**(75,489)**	**17,159**	**3,300**
	388,811	**(269,425)**	**119,386**	**11,684**

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
Six months ended 30 June 2017				
EDS Solutions	439	(376)	63	10
iEDS Solutions	210,545	(154,993)	55,552	4,925
EE Solutions	93,643	(60,894)	32,749	2,190
CSP Business	87,512	(64,059)	23,453	2,046
	392,139	(280,322)	111,817	9,171

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

4. REVENUE 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	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**11,684**	9,171
Administrative expenses	**7,725**	8,687
	19,409	17,858

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 revenue and gross profit of the Group are attributable to the PRC.

The Group's operations are not subject to significant seasonality fluctuations.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income from financial institutions	**3,115**	1,506
Other interest income	**–**	1,020
Government grants^	**8,008**	372
Net unrealised gains on unlisted equity investment *(note 16 (a) (ii))*	**240**	–
Others	**1,581**	2,250
	12,944	5,148

^ Government grants were received from the government of the PRC mainly for reallocation compensation. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

6. (LOSS)/PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
(a)	Finance costs:		
	Interest on borrowings	**22,447**	24,121
	Finance charges on obligation under finance leases	**3,290**	1,859
		25,737	25,980
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**4,354**	4,886
	Salaries, wages and other benefits	**45,073**	42,304
		49,427	47,190
(c)	Other items:		
	Amortisation of intangible assets	**369**	329
	Amortisation of lease prepayments	**687**	1,067
	Depreciation	**18,353**	16,462
	Impairment/(reversal of impairment) losses for trade and other receivables	**402,981**	(225)
	Operating lease charges in respect of properties: minimum lease payments	**2,220**	3,940
	Research and development costs (other than staff costs)	**402**	6,239
	Net (gain)/loss on disposal of property, plant and equipment	**(4,381)**	87
	Net foreign exchange income	**(4,596)**	(1,252)
	Net gain on forward foreign exchange contracts	**(6,440)**	–
	Cost of inventories[#]	**263,674**	272,684

[#] Cost of inventories includes RMB25,829,000 (six months ended 30 June 2017: RMB22,318,000) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**3,077**	4,858
(Over)/under-provision in respect of prior year	**(403)**	938
Dividends withholding tax *(note (iv))*	**6,935**	–
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(303)
Origination and reversal of temporary differences		
– Dividends withholding tax *(note (iv))*	**3,137**	–
– Others	**(58,371)**	1,739
	(45,625)	7,232

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 or the BVI.

(ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Dubai Multi Commodities Centre ("DMCC"), Mexico, Indonesia, Spain and Australia as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to DMCC, Mexican, Indonesian, Spanish and Australia Corporate/Company Taxes during each of the six months ended 30 June 2018 and 2017.

(iii) PRC income tax

Pursuant to the PRC Corporate Income Tax Law and its implementation regulations, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25% except for Boer (Wuxi) Power System Co., Ltd.* ("博耳(無錫)電力成套有限公司" or "Boer Wuxi"), which is qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%.

(iv) Dividends withholding tax

According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the *Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

Dividends withholding tax represents mainly tax charged by the PRC tax authority on dividends distributed by the Group's subsidiaries in Mainland China during the period.

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

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB292,415,000 (six months ended 30 June 2017: profit attributable to equity shareholders of the Company of RMB2,275,000) and the weighted average number of 749,426,000 ordinary shares (six months ended 30 June 2017: 749,426,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2018 and 2017, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

9. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB1,594,000 (six months ended 30 June 2017: RMB34,832,000). Items of investment property, other property, plant and equipment with a net book value of RMB14,599,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB79,000), resulting in a gain on disposal of RMB4,381,000 (six months ended 30 June 2017: loss on disposal of RMB87,000).

(b) As at 30 June 2018, certain buildings with carrying value of RMB103,347,000 (31 December 2017: RMB110,583,000) have been pledged to a bank as security for bank loans (see note 12(c)).

(c) As at 30 June 2018, the Group was in the process of obtaining the property ownership certificates in respect of certain properties and investment properties located in the PRC with net book values of RMB36,481,000 (31 December 2017: RMB37,605,000) and RMB120,527,000 (31 December 2017: RMB127,837,000) respectively.

(d) Property, plant and equipment held under finance leases

The Group sold and leased back the equipment under finance leases expiring from seven to ten years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. No gain or loss arose from the sale and leaseback transactions. No contingent rentals are included in these finance leases. At the end of the reporting period, the net book value of plant and machinery held under these finance leases was RMB99,472,000 (31 December 2017: RMB101,996,000).

(e) Investment property leased out under operating leases

The Group leased out certain investment properties with carrying value of RMB9,232,000 under operating leases (31 December 2017: RMB20,006,000). The leases typically run for an initial period of five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

10. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables, loans to customers and retentions receivable (which are included in trade and other receivables), based on sales recognition date and net of loss allowance is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 3 months	**205,824**	281,783
Over 3 months but within 6 months	**49,513**	32,985
Over 6 months but within 1 year	**109,005**	147,636
Over 1 year	**1,007,802**	1,409,818
Trade receivables, loans to customers, retentions receivable	**1,372,144**	1,872,222
Contract assets *(note)*	**9,901**	–
Bills receivable	**40,718**	43,830
Amount due from a related party *(note 19(a)(ii))*	**–**	13,340
Prepayments, deposits and other receivables	**105,155**	164,245
Derivative financial instruments		
– forward foreign exchange contracts	**4,343**	–
	1,532,261	2,093,637

Note: As a result of the adoption of HKFRS 15, contract assets are included in trade and other receivables (see note 3(c)).

At 30 June 2018, the Group had endorsed and derecognised bank acceptance bills totaling RMB43,675,000 (31 December 2017: RMB37,759,000). These derecognised bank acceptance bills were endorsed to suppliers and had a maturity date of less than six months from the end of the reporting period. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Impairment of trade receivables, loans to customers, retentions receivable and contract assets

Impairment losses in respect of trade receivables, loans to customers, retentions receivable and contract assets are recorded using an allowance account unless the Group determines that there is no realistic prospect of recovery, in which case the impairment loss is written off against trade receivables, loans to customers, retentions receivable and contract assets directly.

At 30 June 2018, specific allowances for doubtful debts of RMB1,270,354,000 were recognized for individually impaired receivables (31 December 2017: RMB930,072,000).

All of the other trade receivables, loans to customers, retentions receivable and contract assets that are not individually considered to be impaired are subject to collective assessment. The Group divides these receivables into risk categories where these receivables share similar risk characteristics, such as similar level of industry risk. The assessment on each category is made collectively, taking into consideration of other risk characteristics, such as past due status.

At 30 June 2018, allowances for doubtful debts resulting from the collective assessment amounted to RMB104,958,000 (31 December 2017: RMB42,259,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement represent cash at bank and in hand as at the end of the reporting period.

12. BORROWINGS

(a) As at 30 June 2018, the analysis of the carrying amount of borrowings is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans		
– secured	**336,213**	499,756
– unsecured	**454,000**	457,000
Secured entrusted loans	**70,000**	70,000
	860,213	1,026,756

(b) As at 30 June 2018, borrowings were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year or on demand	**797,213**	963,756
After 1 year but within 2 years	**7,000**	7,000
After 2 years but within 5 years	**56,000**	56,000
	63,000	63,000
	860,213	1,026,756

(c) Borrowings were secured by the following assets:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Property, plant and equipment	**103,347**	110,583
Lease prepayments	**31,609**	31,634
Pledged deposits	**135,000**	322,200
	269,956	464,417

At 30 June 2018, the effective interest rates of the borrowings of the Group were in the range from 1.50% to 9% per annum (31 December 2017: range from 1.88% to 9% per annum).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

13. 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 2018 RMB'000	At 31 December 2017 RMB'000
Due within 1 month or on demand	**179,036**	245,156
Due after 1 month but within 3 months	**63,011**	44,130
Due after 3 months but within 6 months	**22,430**	20,480
Trade payables and bills payable	**264,477**	309,766
Receipts in advance *(note)*	**–**	23,219
Contract liabilities *(note)*	**27,205**	–
Other payables and accruals	**148,100**	190,810
	439,782	523,795

Note: As a result of the adoption of HKFRS 15, receipts in advance are included in contract liabilities (see note 3(c)).

14. SHARE AWARD SCHEME

Pursuant to a resolution of the Board of Directors ("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).

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.

During the period ended 30 June 2018 and the year ended 31 December 2017, no shares were granted to any employees of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

15. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 and 2017.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year

The Directors did not recommend the payment of a final dividend for the previous financial year.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

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 value measured using significant unobservable inputs

	Fair value at 30 June 2018 RMB'000	Fair value measurements as at 30 June 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial asset:				
Unlisted equity investment	**10,846**	**–**	**–**	**10,846**
Derivative financial instruments:				
– Forward exchange contracts	**4,343**	**–**	**4,343**	**–**

Note: Available-for-sale investment was reclassified to financial asset measured at FVPL upon the adoption of HKFRS 9 at 1 January 2018 (see note 3(b)(i)).

(Expressed in Renminbi unless otherwise indicated)

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2017: 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.

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Rate
Unlisted equity investment	Discounted cash flow	Weighted average cost of capital	10.8%
		Expected Long-term revenue growth	(0.8)%-(1)%

The fair value of unlisted equity investment is determined by discounting a projected cash flow series using weighted average cost of capital. The fair value measurement is negatively correlated to the weighted average cost of capital. As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in weighted average cost of capital by 1% would have decrease/increase the Group's loss by RMB1,075,000. The fair value measurement is positively correlated to the expected long-term revenue growth. As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in expected long-term revenue growth by 1% would have increase/decrease the Group's loss by RMB1,716,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level 3 fair value measurements (continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2018 RMB'000
Unlisted equity investment:	
At 1 January	**10,606**
Net unrealised gains recognised in profit or loss during the period *(note 5)*	**240**
At 30 June	**10,846**

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.

17. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2018 not provided for in the interim financial report were as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	**1,785**	–
Authorised but not contracted for	**102,950**	102,950
	104,735	102,950

18. FINANCIAL GUARANTEE ISSUED

As at the end of the reporting period, the Group has issued several financial guarantees in respect of loans of RMB2,085,000 (31 December 2017: RMB4,841,000) made by finance company to debtors of the Group with guarantee periods from three to four years.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

19. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere above, the Group and the Company entered into the following material related party transactions.

(a) Financial assistance from related parties

During the period ended 30 June 2018, the Directors are of the view that the following parties are related parties of the Group:

Name of party	Relationship
Mr. Qian Yixiang	Controlling shareholder and Director
Ms. Jia Lingxia	Controlling shareholder and Director
King Able Limited ("King Able")	Immediate parent of the Group which is 50% owned by each of Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors
Wuxi Boer Power Instrumentation Company Ltd.* ("無錫博耳電力儀錶有限公司" or "Wuxi Boer")	Effectively 93.34% and 6.66% owned by Mr. Qian Haosheng, a close family member of Mr. Qian Yixiang, controlling shareholder and Director and Mr. Qian Zhongming, a Director, and Mr. Tao Linwei, a family member of Mr. Qian Yixiang, controlling shareholder and Director and Mr. Qian Zhongming, a Director, respectively
Bright Rise Trading Limited ("Bright Rise")	50% owned by each of Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors
Boer Investment (Singapore) Pte. Ltd. ("Boer Singapore")	100% directly owned by Mr. Qian Yixiang, a controlling shareholder and Director
Boer Smart (Hong Kong) Limited ("Boer Smart")	Effectively 43.50% and 43.50% owned by Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors
Shanghai Changcheng Construction Development Company Limited* ("上海長城建設開發有限公司" or "Shanghai Changcheng")	Effectively 33.5%, 16.5%, 46.67% and 3.33% owned by Mr. Qian Zhongming, a Director, Mr. Qian Yixiang, a controlling shareholder and Director, Mr. Qian Haosheng, a close family member of Mr. Qian Yixiang, controlling shareholder and Director and Mr. Qian Zhongming, a Director, and Mr. Tao Linwei, a family member of Mr. Qian Yixiang, controlling shareholder and Director and Mr. Qian Zhongming, a Director, respectively

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(i) Transactions

Cash advances from related parties

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
Name of party		
Mr. Qian Yixiang and Boer Singapore	**36,364**	–
Ms. Jia Lingxia	**387,400**	–
King Able	**–**	90,932
Wuxi Boer	**230,989**	307,128
Boer Smart	**100**	3,200
	654,853	401,260

(ii) Net outstanding amounts owed to related parties

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Name of party		
Mr. Qian Yixiang and Boer Singapore	**156,381**	161,960
Ms. Jia Lingxia	**94,504**	93,709
King Able	**21,722**	23,140
Wuxi Boer	**19,354**	117,984
Bright Rise	**16,902**	16,674
Boer Smart	**75**	4,615
	308,938	418,082

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(iii) Loans from related parties

Loans facilities granted from related parties

Pursuant to several loan facility agreements signed in 2016 and 2017, the related parties as lenders and the Group as borrower, loan facilities were granted to the Group for its general working capital purposes.

Those loans are all unsecured, non-interest bearing and repayable on demand.

	At 30 June 2018	At 31 December 2017
Name of party		
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**RMB500,000,000 and USD1,393,000**	RMB500,000,000 and USD1,393,000
Ms. Jia Lingxia	**HKD2,000,000**	HKD2,000,000
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**RMB300,000,000**	RMB300,000,000
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**RMB100,000,000**	RMB100,000,000
Mr. Qian Yixiang and Boer Singapore	**RMB200,000,000**	RMB200,000,000
Boer Smart	**RMB35,000,000**	RMB35,000,000

(iv) Unused loans facilities

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Name of party		
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**394,681**	393,921
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**280,646**	168,676
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**83,098**	83,326
Mr. Qian Yixiang and Boer Singapore	**43,619**	38,040
Boer Smart	**34,925**	30,385
	836,969	714,348

(b) Financial guarantee received from related parties

At 30 June 2018, borrowings amounted to RMB438,880,000 were guaranteed by Mr. Qian Yixiang, Ms.Jia Lingxia and Shanghai Changcheng (31 December 2017: RMB276,880,000).

20. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

21. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which is not expected to have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease, the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases related to properties and land that have been entered into by 30 June 2018:

	RMB'000
Within 6 months	**1,239**
After 6 months but within 1 year	**1,075**
After 1 year but within 5 years	**1,320**
	3,634

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

REVIEW REPORT

KPMG

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 5 to 35 which comprises the consolidated statement of financial position of Boer Power Holdings Limited (the "Company") as of 30 June 2018 and 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 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

REVIEW REPORT (continued)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the interim financial report which discloses that the Company together with its subsidiaries (the "Group") recorded a loss of RMB322,727,000 for the period. The Group has faced longer average trade receivables turnover days than its average trade payables turnover days which consequently may result in net operating cash outflows in the next twelve months. As stated in that note, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Our conclusion is not modified in respect of this matter.

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

15 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2018 ("1HY2018" or the "Period"), along with the instability in the global economy, the uncertainties of trade war and the rate-hike cycle of the United States, the fund outflows in emerging economies have seriously impacted the stability of the financial market. Confronting the complicated and changing international environment, China's economy continued to maintain high quality development in 1HY2018, while the gross domestic product ("GDP") had a stable growth and reached RMB41.9 trillion, up 6.8% year-on-year.

The development of the economy, the upgrading of industrial automation and the continuous improvement of people's living standards resulted in a booming demand for electricity. In 1HY2018, the electricity consumption of the whole society in China increased by 9.4% year-on-year, at a total of 3,229.1 billion KWH, thus the scale of investment in domestic power grid continued to grow. During the Period, a total of RMB203.6 billion was invested in national grid infrastructure construction projects. In the progress of the national smart grid construction and the transformation and upgrading of rural power grids, domestic demand for power transmission and distribution equipment, especially intelligent transmission and distribution equipment, will usher in a peak.

Resulted from the explosive growth of applications, including big data, cloud computing, 5G communication technology, mobile payment, artificial intelligence and the Internet of Things, and the accelerated integration of "Internet+" across diverse industries, the demand for Internet data transmission, computing and storage has soared. Driven by the geometric growth of data, the data center, as an important infrastructure promoting the development of the new economy, recorded strong growth in both quantity and scale. In the first quarter of 2018, the size of server market in China increased by 68.9% year-on-year. The rapid increase in the number of intelligent hardware devices has put forward greater requirements on the data centers' traffic processing capability, therefore safety, reliability and low energy consumption have gradually become the core demands of data center for power distribution systems, thereby generating major development opportunities for enterprises engaging in intelligent power distribution systems and energy efficiency management services, and also promoting the sales of the Group's "One-stop Data Center Solution".

In 1HY2018, the investment in manufacturing industry of China increased by 6.8% year-on-year, of which the investment in technological transformation increased by 15.3% year-on-year. In the first five months during the Period, the energy consumption of industrial added value per unit in the enterprises above designated size decreased by 3.6%. The manufacturing industry in the PRC is undergoing accelerated transformation and upgrades towards a more scalable, intelligent and environmental-friendly industry. In addition, the deepening of integrated development of the manufacturing industry with the Internet pushed ahead by the government has also promoted extensive application of big data, cloud computing and industrial Internet, which further boosted the market demand for intelligent power distribution solutions in major projects, such as building strong industrial base, intelligent manufacturing and green manufacturing.

In overseas markets, the demand for electricity from countries along the "Belt and Road" has grown rapidly and become an important export market for Chinese power transmission and distribution products. According to the latest data, electric power industry continued to lead among the ranking of national infrastructure construction in countries along the "Belt and Road" during the Period. It is estimated that the demand for power investment in countries along the "Belt and Road" will reach USD1.5 trillion in the next five years, showing vast market potential. In 1HY2018, the newly added investment from Chinese companies in 55 countries along the "Belt and Road" increased by 12% year-on-year to USD7.4 billion. During the Period, the total amount of newly signed engineering contracts for foreign contractor projects from countries along the "Belt and Road" was approximately USD47.8 billion, accounting for 45% of the total newly signed contract during the Period. Apart from countries along the "Belt and Road", other developing countries of Asia, Africa and Latin America also have booming demand for infrastructure construction and power construction. As the forerunners under the "Going out" strategy, Chinese power companies have mainly increased investment in overseas power contracting projects in countries along the "Belt and Road" and other developing countries in Asia, Africa and Latin America, which has created a fertile field for the export of the Group's medium- and low-voltage transmission and distribution products and the business development in the global market.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW

In 1HY2018, the Group's business continued to improve, and all the new orders were obtained in non-factoring model. During the Period, due to the increase in the proportion of high-margin projects, the gross profit grew steadily to RMB119 million, increasing by 7% year-on-year. The gross profit margin also gradually increased to 31%, from 29% of the same period of last year. Through the effective cost management, excluding the effect of the Provision, of which revenue was recognized before 2016, the operating profit, profit before taxation and operating cash inflow improved significantly, amounted to RMB60.4 million, RMB34.6 million and RMB134.5 million respectively.

Due to the tightening of monetary policies implemented in recent years, the capital turnover of certain domestic enterprises has been affected, which has indirectly slowed down the collection of trade receivables by the Group during the Period and led to further overdue of certain receivables from customers of the Group. During the six months ended 30 June 2018, the aging of those receivables increased and the Group has decided to make provision accordingly. However, during the Period, the Group continued to implement strict internal control, strengthen the collection of trade receivables and improve the assets and liabilities structure and cash flow level. In addition, on 13 August 2018, the Group received approximately RMB61.2 million from customers for settlement of outstanding trade receivables, loans to customers, retentions receivable and bills receivable as at 30 June 2018.

During the Period, the business of the Group can be divided into the following four segments:

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

The application scenarios have been gradually unlocked by the Internet of Things, from the smart factories of manufacturing industry and the cascade digital platform among the building system, the most important entities of the national economy, to the most detailed intelligent household appliances in ten thousands of households, the demand for intelligent power distribution terminal equipment and ecosystems with high security and reliability, real-time monitoring, quasi-load control, big data collection and accurate analysis is increasingly growing. The Group is among the earliest in the domestic industry to develop cloud platform and ecosystem for big data power distribution. Leveraging on its over 30 years of experience in the R&D and manufacturing of power distribution equipment, the Group has successfully established and gradually improved the power consumption database across diverse industries since launching "Cloud Smart" data platform in 2012, after accumulating power consumption related data from a large number of customers across diverse industries in the past six years, which makes the Group one of the few companies in the industry with high-end customization capabilities in the intelligent and energy conservation power distribution solutions for diverse industries, and therefore enjoy first-mover advantages. With the integration of the company data collected by Boer Power's corporate cloud platform system and the industry data accumulated in the electricity database, the Group can provide customers with value-added solutions and provide professional maintenance service for users' distribution equipment, so as to ensure the safe and reliable operation and energy efficiency thereof. The Group's technological advantage lies in our ability to effectively ensure safe operation of equipment, reduce operation cost and raise customers' economic efficiency by performing uninterrupted monitoring, data collection and postback and real-time energy efficiency analysis to electrical terminal equipment via internet. During the Period, the Group obtained orders with value of tens of millions of RMB from China Life Insurance to provide its Jinan Branch project with the full-cycle products and a full range of services of Boer "Cloud+". As a large-scale commercial project using the Group's latest "Cloud+" full-cycle products, the project of China Life Insurance Jinan Branch fully manifested the intensive added value in the integration of cloud platform and intelligent power distribution solutions of Boer Power. Therefore, the realization of big data explored by the Group gradually matures.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

The Group has been engaged in the data center industry for many years, and the "One-stop Data Center Solution" for the characteristics and demands of the data center industry has been applied to a number of national and regional symbolic data center projects. Leveraging on outstanding technical advantages and excellent products and services, the Group has successfully established the stable, mutually beneficial and intensive partnership with industry leaders, including three major domestic communication operators, Global Data Solutions, China UnionPay, Alibaba, and Rangei DC etc. to provide products and services for their data centers and office buildings across the country. In 1HY2018 and in July 2018, the Group continued to be trusted by China Telecom and GDS, being long-term customers, and once again collaborated in various projects, among which the data centers nationwide of China Telecom will apply the intelligent power distribution components marked with the Group's self-owned brand. The Group provided low-voltage intelligent power distribution solutions for China Telecom's construction projects in five provinces or cities in Shanghai, Guangdong, Shaanxi, Yunnan and Shanxi, of which the total amount of the contracts is RMB60 million. In July 2018, the Group also provided a construction project of low voltage intelligent power distribution solutions of a newly developed Waigaoqiao Data Center located in Shanghai for GDS, another long-term customer, with a contract value of approximately RMB20 million.

During the Period, in addition to continuing to consolidate its leading position in the power distribution market of data center industry, the Group also explored the potential demand for intelligent power distribution products and solutions from other industries. The domestic substitution tide initiated by the trade war has accelerated the intelligent transformation of Chinese manufacturing industry. The development and application of intelligent manufacturing of key technical equipment, intelligent products, major complete sets of equipment and digital workshops require efficient and stable intelligent power distribution equipment to meet the needs for safe, reliable and energy conservation of power operation and maintenance management from the intelligent factories driven by Industrial Internet. In 1HY2018, the Group successfully won the bidding on a construction project of a Chinese solar enterprise with leading technology and scale in the world, at approximately RMB65 million, providing the integrated solution for high-voltage and low-voltage intelligent power distribution.

Leveraging on leading technology, excellent track record and powerful self-owned big data platform, the Group has established long-term cooperative relationships with leading companies across diverse industries. In the development of economic globalization, enterprises actively seek international and large-scale development opportunities. The strategic relationship under mutual trust with industry leaders will help the Group to follow the global development of its customers and promote the efficient and professional intelligent power distribution products and services globally. According to historical data, continuous orders from the Global Top 500 companies and other large domestic and overseas companies that have long-term cooperating relationship with the Group have generated the stable income continuously. During the Period, the Group performed the third round cooperation with Qingdao Metro and successfully won the bidding on the project of Qingdao Metro Line No. 1 providing the integrated low-voltage intelligent power distribution solution for the longest cross-sea metro line of China, with a contract value of RMB66.7 million. In early August, the Group further collaborated with Qingdao Metro Line No. 1 project to provide low-voltage environmentally-controlled switchgear for the project with a contract value of approximately RMB70 million, representing the successful extension of the Company's product line to the sector of electromechanical product of urban rail transit.

In addition, in 1HY2018, the Group also obtained orders from valued customers, including Anheuser-Busch InBev, Global Data Solutions, Centrin Data systems, Suez Water and China Mobile, etc. to further deepen the business relationship between the Group and its high-quality and large-scale customers.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

In terms of overseas business, the increasing investment from Chinese companies in the areas along the "Belt and Road" and the tremendous infrastructure needs from countries along the "Belt and Road" offer the vast market potentials to the Group's intelligent transmission and distribution products and services. During the Period, the Group independently won the bidding on the largest cooperation project between China and Russia in the non-energy fields, the forestry-pulp-paper integration project in Amazar, Russia, providing integrated solution for low-voltage intelligent power distribution. Countries along the "Belt and Road" and other developing countries in Asia, Africa and Latin America are striving to promote local infrastructure construction, in which the public utility, telecommunications, transportation, construction and energy have always been the core sectors of infrastructure investment in developing countries. During the Period, the Group actively seized the business opportunities in overseas markets through its branches established in Spain, Mexico, Indonesia and the United Arab Emirates. It also cooperated with major domestic and foreign contractors to provide the expansion project of the international airport of Malé, the capital of Maldives, as well as various large-scale projects in Algeria, Angola, Russia, Congo(Kinshasa), Pakistan and Cambodia with the Group's intelligent power distribution products and integrated solutions.

During the Period, the Group continued to strengthen its internal control and strive to improve its assets and liabilities structure and cash flow level. During the Period, net cash inflow from operating activities was significantly improved to approximately RMB134,533,000 (the six months ended 30 June 2017: net cash outflow from operating activities approximately RMB215,000).

The total revenue of the Group amounted to approximately RMB388,811,000 for the six months ended 30 June 2018, representing a decrease of 0.85% as compared to the same period of last year.

The total loss attributable to the equity shareholders of the Company amounted to approximately RMB292,415,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: profit of approximately RMB2,275,000). The decrease in profit was mainly due to impairment provision for trade and other receivables.

As at 30 June 2018, the total assets of the Group were approximately RMB2,583,450,000 (31 December 2017: approximately RMB3,281,987,000) while the total liabilities were approximately RMB1,724,671,000 (31 December 2017: approximately RMB2,093,741,000) and the total equity of the Group amounted to approximately RMB858,779,000 (31 December 2017: approximately RMB1,188,246,000).

OPERATION AND FINANCIAL REVIEW

EDS Solutions

Electrical distribution systems lie between grid and end users to distribute electricity at converted voltage for end users. Nowadays, the Group's EDS Solutions have generally been replaced by iEDS Solutions.

The revenue of EDS Solutions of the Group for the six months ended 30 June 2018 amounted to approximately RMB197,000 (six months ended 30 June 2017: approximately RMB439,000), representing approximately 0.1% (six months ended 30 June 2017: approximately 0.1%) of the Group's total revenue for the Period. The decrease in revenue of EDS Solutions of approximately 55.1% was recorded and the gross profit of this business segment was approximately RMB50,000 (six months ended 30 June 2017: approximately RMB63,000), representing a decrease of approximately 20.6% as compared to the same period last year.

The gross profit margin of the EDS Solutions segment increased from approximately 14.4% for the six months ended 30 June 2017 to approximately 25.4% for the Period.

OPERATION AND FINANCIAL REVIEW (continued)

iEDS Solutions

In addition to 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 the related data collected from the electromechanical systems and can analyze for energy saving solutions. These functions are useful and important to the users who require more stable and safer auto-controlled electrical distribution systems, such as intelligent data centres, telecommunication and medical services industries.

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

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

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

The revenue of iEDS Solutions of the Group for the six months ended 30 June 2018 was approximately RMB167,962,000 (six months ended 30 June 2017: approximately RMB210,545,000), which accounted for approximately 43.2% (six months ended 30 June 2017: approximately 53.7%) of the Group's total revenue for the Period. The decrease in the revenue of iEDS Solutions was approximately 20.2% for the six months ended 30 June 2018 as compared to the same period last year. The decrease in the revenue of this business segment was mainly driven by maintaining the close cooperative relationship with the long-term customers and promoting EE solutions. The gross profit of this business segment was approximately RMB44,883,000 (six months ended 30 June 2017: approximately RMB55,552,000), representing a decrease of approximately 19.2% as compared to the same period last year.

The gross profit margin of iEDS Solutions segment increased from approximately 26.4% for the six months ended 30 June 2017 to approximately 26.7% for the Period which was mainly due to a decrease in unit cost.

EE Solutions

Based on the data collected by the electrical distribution systems using its iEDS Solutions, the Group can analyse the power consumption status of users, and through management and with various considerations in relation to the power source, select the most appropriate power saving solutions and provide equipment and systems to customers that 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 below categories:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND FINANCIAL REVIEW (continued)

EE Solutions (continued)

The revenue of EE Solutions of the Group for the six months ended 30 June 2018 was approximately RMB128,004,000 (six months ended 30 June 2017: approximately RMB93,643,000), which accounted for approximately 32.9% (six months ended 30 June 2017: approximately 23.9%) of the Group's total revenue for the Period. Revenue of EE Solutions for the six months ended 30 June 2018 increased by approximately 36.7% as compared to the same period last year. The increase in the sales of this business segment was due to the Group's customization of EE Solutions for different customers based on the data from the customers in focused industries accumulated by the Group over years, by taking into account actual situations of various customers, in order to allow customers to control costs with ease. Moreover, EE Solutions, a green and energy saving and environmental protection projects, were concentratedly promoted. It was much more important for the customers of industries with high energy consumption, of which the demand on the Group's EE Solutions was continuously increasing. The gross profit of this business segment was approximately RMB57,294,000 (six months ended 30 June 2017: approximately RMB32,749,000), representing an increase of approximately 75.0% as compared to the same period last year.

The gross profit margin of EE Solutions segment increased from approximately 35.0% for the six months ended 30 June 2017 to approximately 44.8% for the Period, which was mainly due to an increase in selling price and a decrease in unit cost.

CSP Business

The Group also manufactures components and spare parts for application on electrical distribution equipment or the basic function units of the solutions and sells such components and spare parts 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 below categories:

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

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

The revenue of CSP Business of the Group for the six months ended 30 June 2018 was approximately RMB92,648,000 (six months ended 30 June 2017: approximately RMB87,512,000), which accounted for approximately 23.8% (six months ended 30 June 2017: approximately 22.3%) of the Group's total revenue for the Period. Due to increased purchase orders from clients, an increase in the revenue of CSP Business of approximately 5.9% for the six months ended 30 June 2018 was recorded. Due to an increase in cost of material, the gross profit of this business segment was approximately RMB17,159,000 (six months ended 30 June 2017: approximately RMB23,453,000), representing a decrease of approximately 26.8% as compared to the same period last year.

The gross profit margin of CSP Business segment decreased from approximately 26.8% for the six months ended 30 June 2017 to approximately 18.5% for the Period. The decrease in gross profit margin was resulted from keen competition and diversification of CSP products.

PROSPECT

Looking forward to the second half of 2018, the Group will continue to leverage its leading technology advantages to gradually resume its business and seize market opportunities in data centers, Chinese manufacturing industry upgrades, overseas markets, and the large-scale and high-quality foreign and domestic manufacturers. As the financial policies in China turned around in late July, the tightened market capital has been relieved gradually, which will help the Group to speed up the collection of trade receivables. It is expected that the relaxation of monetary policies will also stimulate infrastructure investment and present new market opportunities for the Group's business. Meanwhile, the management will take proactive actions to collect outstanding receivables from customers with a view to improve its bad debts as soon as possible. Such actions include initiate legal proceedings against certain customers in default; assist customers in solving internal financial problems by introducing them to various asset management companies and banks; closely follow up condition of each customer in default in the second half of the year by assessing their financial capabilities and project progress and taking necessary actions when needed.

The Group is positive about the stabilizing applications of data centers in Internet companies and the increasing proportion of traditional enterprises' intelligent upgrades. The data center market of China will continue to flourish, which will reach RMB120 billion in 2018, according to the estimate from Qianzhan Industrial Research Institute. Looking into the market signals, such as the establishment of data center in China by Amazon, the global cloud computing leader, the data center supplier position of China Telecom designated by Apple Inc., and the continuous development of "Cloud Cooperation Plan" by Alibaba Cloud Computing, the Group believes that the industry demand for "One-stop Data Center Solution" will be further released. We are optimistic that with the long-term cooperation relationship with Chinese top data center operators and three major telecommunications companies of China, the leading technology advantages in the industry and the rich project management experience, the Group will be able to continuously expand its market share in this Blue Ocean.

In 1HY2018, 13 provinces and municipalities, including Shanghai, Chongqing, Zhejiang and Guangdong, have completed major projects with an investment amount for key projects exceeding RMB3.4 trillion. The State Council pointed out at its meeting that it will accelerate the issuance and utilization of special bonds of local governments of RMB1.35 trillion in 2018 to push ahead with infrastructure projects under construction. It will also put forward and reserve a number of key projects in response to the needs of development and people's livelihood. Benefited from the significant increase in investment in the second half of the year, infrastructure projects will be on a fast track and it is expected to bring new opportunities to the Group's business development in various infrastructure-related sectors such as rail transit and sewage treatment.

Meanwhile, since China accelerates the promotion of "Made in China 2025", therefore the upgrading of manufacturing industry, to actively head to digitalization and intelligence, we are particularly positive about the additional orders from our long-term customers of new energy, fast moving consumer goods, construction materials and communications, many of which are high-quality and large-scale international brands and Fortune Top 500 companies. It is expected that the global industrial intelligence upgrade will help us to secure more orders from overseas companies, leveraging on the global business network within our high-quality and long-term customers. On the other side, the overseas market will continue to be an important impetus to the Group's sales. The Group will actively seize the tremendous business opportunities generated by the rapid growth of demand for power transmission and distribution in Africa, Latin America and countries along the "Belt and Road".

In the second half of 2018, while adopting a positive marketing strategy to broaden its source of income, the Group will continue to focus on restoring sales scale and optimizing sales structure to increase the proportion of high-margin projects, and continuously strengthen the internal control and collection of trade receivables; the management costs will be continuously reduced through refined management, and the financial costs can be reduced by asset structure optimization, therefore it is expected to further improve the profitability to expand the profits and create greater value for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, other financial asset, trade and other receivables, trade and other payables, amounts due to related parties and obligations under finance leases and borrowings. As at 30 June 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB16,430,000 (31 December 2017: approximately RMB15,655,000), approximately RMB249,409,000 (31 December 2017: approximately RMB612,094,000) and approximately RMB1,004,854,000 (31 December 2017: approximately RMB1,339,805,000), respectively. As at 30 June 2018, the Group had borrowings amounting to approximately RMB860,213,000 (31 December 2017: approximately RMB1,026,756,000). Borrowings were repayable within one to five years with effective interest rates ranging from 1.5% to 9.0% per annum (31 December 2017: range from 1.88% to 9.0% per annum). Cash and cash equivalents and borrowings were denominated mainly in EUR, HKD, RMB and USD. The Group's gearing ratio, which was expressed as a ratio of the borrowings over total equity, was 100.2% as at 30 June 2018 (31 December 2017: 86.4%).

CHARGES ON ASSETS

As at 30 June 2018, borrowings amounting to approximately RMB860,213,000 (31 December 2017: approximately RMB1,026,756,000) were secured by pledged deposits of RMB135,000,000 (31 December 2017: RMB322,200,000), by property, plant and equipment of RMB103,347,000 (31 December 2017: RMB110,583,000) and by lease prepayments of RMB31,609,000 (31 December 2017: RMB31,634,000).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days decreased by 2 days from 77 days during the six months ended 30 June 2017 to 75 days in the Period. It was mainly attributable to effective inventory control. The average trade receivables turnover days decreased by 394 days from 1,171 days during the six months ended 30 June 2017 to 777 days in the Period. This was mainly due to the fact that one of the Group's operating priorities in 2018 was to speed up the settlement of trade receivables and to conduct a detailed assessment of the customer's credit status. The average trade payables turnover days decreased by 269 days from 462 days during the six months ended 30 June 2017 to 193 days in the Period. It was mainly due to the fact that the Group, after receiving payment of trade receivables, applied part of the payment in settling trade payables.

As at 13 August 2018, the Group received approximately RMB61.2 million from customers for settlement of outstanding trade receivables, loans to customers, retentions receivable and bills receivable as at 30 June 2018.

GOING CONCERN BASIS

The Group recorded a loss of RMB322,727,000 (30 June 2017: profit of RMB407,000) for the Period. In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience net operating cash outflows. These conditions continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2 to the Group's interim financial information.

CONTINGENT LIABILITIES

Saved as disclosed in note 18 to the Group's interim financial report, as at 30 June 2018, the Group did not have any contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL MANAGEMENT POLICIES

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

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 revenue 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 2018.

EMPLOYEES AND REMUNERATION POLICY

The Group had 1,108 employees as at 30 June 2018 (as at 30 June 2017: 1,146). The total staff costs for the Period were approximately RMB49.4million (six months ended 30 June 2017: approximately RMB47.2 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.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Commercial risks

   The Group is exposed to certain commercial risks such as interest rate risk, credit risk (including the risk to be borne by the Group in the event of default of payment by customers), liquidity risk, etc.

2. Market risks

   The Group is facing various competition by multinational companies in the same industry, and also finds that an increasing number of domestic competitors have entered the high-end markets. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifying its business strategy to tackle other competitors.

3. Operational risks

   The Group's operations require a certain number of government approvals and are subject to a broad range of laws and regulations governing various matters. In particular, the continuance of the Group's operations depends upon compliance with applicable environmental, health and safety and other regulations. The Group has already employed external legal consultant and business adviser and will ensure the relevant government approvals are obtained when required.

4. Loss of key individuals or the inability to attract and retain talents

   Lack of appropriately skilled and experienced human resource could result in a delay in achieving the Group's strategic goals. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages, share award scheme and succession planning within the management team.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group adheres to environmental sustainability throughout its business operations. As a responsible corporation, we strive to ensure minimal environmental impacts by carefully managing our energy consumption and water usage level, including the establishment of self-distributed photovoltaic power plants and other initiatives.

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees to save energy. All these policies aim at reducing resources consumption and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

RELATIONSHIP WITH EMPLOYEES

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages and share award scheme to attract and retain employees with the aim to form a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. Furthermore, the Group places great emphasis on the training and development of employees and regard excellent employees as a key factor in its competitiveness.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group aims at delivering high quality products and solutions to its customers and developing on mutual trust among its suppliers.

Our Directors believe that maintaining good relationships with customers has been one of the critical reasons for the Group's success. Our business model with regards to the business is to maintain and strengthen on our strong relationships within our client base. Our mission is to provide the finest products and solutions to our customers. The Group is constantly looking at ways to improve customer relations through enhanced services. Through doing the above we hope to increase the amount of business from our existing customers and our reach for new potential clients.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on information available, the Directors take the view that during the six months ended 30 June 2018, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

REPORT OF THE DIRECTORS

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of rewarding participants who have contributed to the Group and encouraging participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The eligible participants of the Share Option Scheme include the Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The Share Option Scheme is valid and effective for a period of ten years commencing from 30 September 2010, after which no further share options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. The share options complying with the provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which are granted during the duration of the Share Option Scheme and those remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which such share options are granted, notwithstanding the expiry of the Share Option Scheme.

Grant of Options to connected persons or any of their associates

Any grant of options to any Director, Chief Executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its subsidiaries shall be subject to the prior approval of the Independent Non-executive Directors (excluding Independent Non-executive Directors who are the proposed grantees of the options in question). Where any grant of options to a substantial shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) represent in aggregate over 0.1% of the shares in issue on the date of such grant; and

(ii) have an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million,

such further grant of options shall be subject to prior approval by resolution of the shareholders of the Company (voting by way of poll). The Company shall send a circular to its shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the shareholders.

SHARE OPTION SCHEME (continued)

Grant of Options to connected persons or any of their associates (continued)

The Directors may, at their discretion, invite participants to take up options at a price calculated in accordance with the paragraph below. An offer shall remain open for acceptance by the participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period, after the Share Option Scheme is terminated or after the participant has ceased to be a participant.

An offer is deemed to be accepted when the Company receives from the grantee the offer letter signed by the grantee specifying the number of shares in respect of which the offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

The offer shall specify the terms on which the option is granted. Such terms may at the discretion of the Board, include, among other things, (a) the minimum period for which an option must be held before it can be exercised; and/or (b) a performance target that must be reached before the option can be exercised in whole or in part; and (c) any other terms, all of which may be imposed (or not be imposed) either on a case-by-case basis or generally.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 75,000,000 Shares, representing 10% in nominal amount of the aggregate of shares in issue as at the listing date on 20 October 2010 (not taking into account any shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company did not have any outstanding option at the beginning and at the end of the Period. During the Period, no options had been granted under the Share Option Scheme.

As at the date of 2017 annual report and this interim report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was approved by the Board on 17 June 2011 (the "Adoption Date"). The purposes of the Share Award Scheme are to recognise the contribution made by certain employees of the Group and to provide eligible employees, being any senior management employee, including without limitation the director, executive, officer and manager-grade employee, whether full time or part time, of any member of the Group from time to time, save for those excluded employees as determined by the Board or the trustee (as the case may be), with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group. The Share Award Scheme involves existing shares and the Board hopes to encourage employees of the Group to have, through shares awarded under the Share Award Scheme, a direct financial interest in the long-term success of the Group. The Share Award Scheme operates for 10 years starting from the Adoption Date.

On 30 October 2013, having re-considered the terms of the Share Award Scheme and to recognise the contribution made by employees of the Group at different levels, the Share Award Scheme was amended to the effect that "Employee" means any employee, whether full time or part time and whether becoming the employee of the Company before or after the Adoption Date, of any member of the Group from time to time.

The total number of all the shares purchased by the trustee under the Share Award 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 any 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 Share Award Scheme.

During the Period, no shares were granted under the Share Award Scheme.

As at the date of 2017 annual report and this interim report, the trustee held 24,343,000 shares under the Share Award Scheme, representing about 3.15% of the issued share capital of the Company.

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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 30 June 2018, the Directors and Chief Executive of the Company had the following interests in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code"):

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Directors			
Mr. Qian Yixiang	Interest of controlled corporation	518,115,000(i)	66.96
Ms. Jia Lingxia	Interest of controlled corporation	518,115,000(i)	66.96
Mr. Zha Saibin	Beneficial owner	780,000	0.10
Mr. Zhang Huaqiao	Beneficial owner	4,305,000	0.56
Mr. Yeung Chi Tat	Beneficial owner	50,000	0.01

Notes:

(i) The 517,815,000 shares were owned by King Able Limited ("King Able") and 300,000 shares were owned by Bright Rise Trading Limited, both companies 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 2018, 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 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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the following person holding interests of 5% or more of the issued share capital of the Company (other than those held by the Directors and Chief Executive of the Company) were recorded in the register 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	517,815,000	66.92

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than the Directors and Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were 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 2018, 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 and senior management:

On 1 June 2018, Mr. Yeung Chi Tat resigned to be an independent non-executive director, a chairman of both Audit Committee and Risk Management Committee, and a member of nomination committee of ANTA Sports Products Limited (ANTA) (Stock Code: 2020), which is listed on the Main Board of the Stock Exchange. With effect from 1 June 2018, Mr. Yeung has been appointed as a vice president of ANTA, and is responsible for overall risk management and internal control and internal audit.

On 30 May 2018, Mr. Zhang Huaqiao retired as an independent non-executive director and ceased to be a member of Audit Committee and Remuneration Committee of Wanda Hotel Development Company Limited (Sock Code: 169), which is listed on the Main Board of the Stock Exchange.

Save as disclosed above, as at 30 June 2018, 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 Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining 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 essential 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 provisions A.2.1 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. 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 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 2018 regarding Directors' securities transactions. The Company has also ensured compliance of its employees who are likely to possess inside information in relation to the Company or its securities in respect of their dealings with the Company's securities.

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 2018.

AUDIT COMMITTEE

The Audit Committee of the Company has four members comprising three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong, Mr. Qu Weimin and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company and the external auditor of the Company, KPMG, on financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2018.

REPORT OF THE DIRECTORS (continued)

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 2018 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, 15 August 2018