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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Qian Yixiang *(Chairman and Chief Executive Officer)*
Ms. Jia Lingxia *(Chief Operating Officer)*
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

BDO Limited

LEGAL ADVISER

Stephenson Harwood

INVESTOR AND MEDIA RELATIONS CONSULTANT

Financial PR (HK) Limited

REGISTERED OFFICE

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

HEADQUARTERS AND HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

COMPANY’S WEBSITE

www.boerpower.com

FINANCIAL SUMMARY

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000 (Restated)
Revenue and Profit					
Revenue	**628,235**	758,671	458,273	2,473,646	2,048,454
(Loss)/profit before taxation	**(966,928)**	(255,967)	(882,569)	630,318	548,878
Income tax (expense)/credit	**(30,951)**	32,478	151,624	(106,494)	(94,394)
(Loss)/profit for the year	**(997,879)**	(223,489)	(730,945)	523,824	454,484
(Loss)/profit attributable to					
Equity shareholders of the Company	**(958,429)**	(220,974)	(704,397)	519,884	458,917
Non-controlling interests	**(39,450)**	(2,515)	(26,548)	3,940	(4,433)
Assets and Liabilities					
Non-current assets	**678,809**	727,711	638,157	448,209	335,792
Current assets	**1,115,437**	2,554,276	3,381,966	5,365,871	4,080,501
Current liabilities	**(1,097,917)**	(1,942,182)	(2,172,046)	(3,571,853)	(2,221,081)
Non-current liabilities	**(507,243)**	(151,559)	(499,337)	(42,622)	(2,340)
Net assets	**189,086**	1,188,246	1,348,740	2,199,605	2,192,872
Equity attributable to					
Equity shareholders of the Company	**238,552**	1,197,867	1,369,267	2,196,240	2,193,447
Non-controlling interests	**(49,466)**	(9,621)	(20,527)	3,365	(575)
Dividends per share (HK$)					
Interim	**–**	–	–	0.26	–
Special	**–**	–	–	0.20	0.18
Second special	**–**	–	–	0.13	–
Final	**–**	–	–	–	0.19

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group"), I report to shareholders the annual results of the Group for the year ended 31 December 2018 (the "Year 2018" or the "year").

During the year, the Group continuously made positive business breakthroughs. The newly upgraded "Cloud+" full-cycle products and services have constantly been applied by numerous large-scale corporate customers of the Group, including China Life Insurance, indicating that high value-added power distribution solution with cloud operation and maintenance developed by Boer Power with its best efforts is starting to bear fruits. The Group launched the Boer "CloudSmart" data platform in 2012 and is gradually improving the data base of power consumption in relation to various industries, thereby establishing intelligent power distribution and energy efficiency solutions targeted to different industries. "Cloud+" full-cycle products and services can 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. As the industry pioneer of developing cloud platform and ecosystem for big data intelligent power distribution in the country, 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, state grid, etc..

The Group maintained steady operation despite domestic economic growth slowed down in the past year. However, as many photovoltaic enterprises in China were undermined by the "May 31 policy" concerning photovoltaic power, the sales of some of the Group's products and services related to photovoltaic projects have been affected accordingly. Meanwhile, the Sino-US trade war continued to shed uncertainties to the economy and due to the tightening of domestic credit policies, the capital turnover of certain customers has been affected. Some orders were postponed during the year, resulting in the decrease in the sales of the Group during the year. Nevertheless, benefited from the prudent selection of projects and key industries, continuous optimization of product structure and the effective cost-saving and efficiency-enhancing measures, the Group's gross profit grew by 21.6% year-on-year to RMB200.5 million and gross profit margin increased significantly year-on-year to 31.9%.

During the year, with the continuous implementation of stringent internal control, trade payables and borrowings both decreased and operating cash flow of the Group has been positive for three consecutive years, recording a positive operating cash flow of RMB152.2 million. During the year, the Group has made further impairment loss of RMB942.8 million for trade and other receivables. Excluding the effect of the impairment loss, the earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group during the year was RMB62.0 million, marking its second profitable year in a row.

The Group has acknowledged that a strict and all-round internal control system is a key protection against crises as well as a support to the long-term development of Boer Power. Therefore, the Group continued to implement its stringent internal control to strengthen risk control during the year and enhanced the power of the Group's internal audit department, tightened control procedures and engaged an external independent consultant to review the effectiveness of the risk management and internal control systems for the year, so as to ensure the steady development of Boer Power based on years of business foundation and fully grasp the growth opportunities from "Cloud+" full-cycle products and services.

The Group has been positive towards the high growth momentum of the data center and has been engaged in the relevant market for many years. With the all-around "One-stop Data Center Solution", the Group continued to consolidate its leading position during the year. During the year, China Telecom applied the intelligent power distribution components marked with the Group's self-owned brand at its data centers nationwide, and applied Boer Power's low-voltage intelligent power distribution solutions for its construction projects of five provinces or cities of Shanghai, Guangdong, Shaanxi, Yunnan and Shanxi. Moveover, during the year, the Group also continued the cooperation with Global Data Solutions Limited ("GDS"), a long-term customer, in several occasions, including the provision of low-voltage intelligent power distribution solutions of the iconic WaiGaoQiao Data Center located in Shanghai. Meanwhile, the Group has maintained the stable, mutually beneficial and intensive partnership with industry leaders, including three major domestic communication operators, Centrin Data Systems, Alibaba, and Rangei DC, etc.. The imminent 5G era has resulted in accelerated growth of the scale and number of data centers. Data centers will continue to be an important field to the Group's intensive business development and the long-term impetus to the Group's growing profitability.

On the other hand, with quality and efficient products and services and its excellent track record, the Group continued to gain long-term support from Global Top 500 companies and other large domestic and overseas companies such as Anheuser-Busch InBev, Suez Environment, State Grid, China Southern Power Grid and Kaisa. In the meantime, the Group further expanded the customer base by continuing to cooperate with main contractors and contractors of large-scale state-owned enterprises and has been awarded infrastructure and rail transit projects in numerous cities. In May 2018, the Group commenced the cooperation with Qingdao Metro and provided the integrated low-voltage intelligent power distribution solution for the Qingdao Metro Line No. 1 project, the longest cross-sea metro line of China. Subsequently, in early August 2018, the Group further collaborated with Qingdao Metro regarding the said project to provide low voltage environmentally controlled switchgear for it. In addition, the Group won the bid for Qingdao Metro Project for the third time in September 2018 and provided low voltage environmentally controlled switchgear for Line No. 8. This contract also indicates that Boer Power has successfully extended its product line into the sector of electromechanical products for urban rail transit. Driven by the infrastructure policy that aims to complement shortcomings, relaxed monetary policies and large-scale tax and fee reduction, domestic infrastructure projects are expected to bring remarkable benefit to the Group in 2019 and to serve as the driving force for the Group in terms of the in-depth layout in the construction sector such as rail transit, sewage treatment, airport and port.

While consolidating the leading advantages in the domestic market, the Group also strived to grasp the opportunities brought about by the "Belt and Road" initiative and the rapid development in certain regions in Asia, Africa and Latin America. Through various local branches and by proactively joining hands with large-scale main contractors and long-term customers seeking overseas expansion, the Group accelerated its overseas expansion. During the year, the Group participated in the expansion project of the Malé International Airport in the capital of Maldives, as well as various large-scale projects in Algeria, Angola, Russia, Congo (Kinshasa), Pakistan and Cambodia. In addition, during the year, the Group independently won the bidding on the cooperation project between China and Russia in the non-energy field, namely the forestry-pulp-paper integration project in Amazar, Russia, which fully demonstrated that it was capable of independent overseas business expansion without cooperating with main contractors.

The core competitiveness of Boer Power is based on industry-leading technology and services. During the year, the Group continued to make efforts to upgrade the operating efficiency and software operating system of the "CloudSmart" platform, deeply engaged in power consumption big data and analyzed the needs of customers to continue expanding revenue from value-added services. Boer Power's operation and maintenance management service platform, "Electronic housekeeper", not only repeatedly garnered customers acclaim, but also successively won various recognitions from the government and industry experts. After being selected as the "Start-ups and Innovation" demonstration platform of the manufacturing industry in Jiangsu Province, during the year, the Group also obtained the qualification as committee member of the environmental-friendly gas insulated metal-enclosed switchgear working group from the Electric Power Technology Collaboration. At the same time, Boer Intelligent Blokset power control cabinet was awarded the Jiangsu Famous Brand Certificate issued by Jiangsu Promotion Commission for Famous Brand Strategy. Recognitions from various parties indicate that the Group has successfully maintained the leading position in the industry in terms of technological development under the trend of intelligent manufacturing and industrial informationisation.

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 business recovery period, and pick up the steady growth. 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 approach in pursuit of development and deliver actual results to reward the trust of all of you.

Qian Yixiang
Chairman

26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the twelve months ended 31 December 2018 (“2018” or the “year”), the unstable international political condition has cast significant uncertainties over the global economic environment. As the growth of the gross domestic product (“GDP”) in the PRC has slowed down, coupled with the trade tensions between the PRC and the United States, the data of both the manufacturing industry and consumer market saw a downturn. As announced by the National Bureau of Statistics of China, the GDP of the year reached RMB90 trillion, up 6.6% year-on-year, which is the slowest growth in 28 years.

Nevertheless, driven by the accelerating modern urbanization and modernization of the agricultural industry, as well as the rapid development in various sectors such as new energy, distributed energy, electric vehicles and energy storage devices, the demand for electricity in the society continued to boom. As stated in the statistics from the National Energy Administration, the electricity consumption of the whole society amounted to 6,844.9 billion KWH during the year, representing a year-on-year increase of 8.5%. In light of the trends of faster growth, larger variation and increased diversity of electricity consumption demand in the society, investment in power grid remained as a focus of the government in the construction sector. The investment in the nationwide power grid construction reached RMB537.3 billion, representing a year-on-year increase of 0.6%, up by 2.3 percentage points as compared with last year. Meanwhile, the domestic demand for intelligent power transmission and distribution equipment continued to increase.

Under the guidance of various national policies, including “Internet Plus”, big data strategy and digital economy, accompanied by the rapid development of the mobile Internet, the data center industry maintained high-speed growth with accelerating speed and expanding scales of construction of data centers. Based on the estimation of “Forward the Economist” (前瞻經濟學人), the market scale of domestic servers for big data was approximately RMB8.18 billion in 2018, representing a year-on-year increase of approximately 40%. Data centers have established their own requirements regarding traffic processing capability, safety and low energy consumption, which have continued to boost the sales of the Group’s “One-stop Data Center Solution”.

In addition, the investment in manufacturing industry of China remained stable with stable demand for intelligent power distribution in the market. In 2018, the investment in manufacturing industry of China recorded a growth of 9.5%. As intelligence has gradually dominated the manufacturing industry of China, the industry has constantly encouraged adoption of highly efficient energy efficiency solutions and promoted the application of big data, cloud computing and industrial Internet, to cultivate market potential for intelligent power distribution system and energy efficiency management services.

For overseas markets, according to the ranking of national infrastructure construction in countries along the “Belt and Road”, the transportation and electric power industry continued to be in the lead with the index increased to 135.7 during the year. The consumption of electric power in countries along the “Belt and Road” still demonstrates promising growth prospect, stimulating the growth of market demand for power transmission and distribution products. Certain countries in Southeast Asia and Africa, including Indonesia, Bangladesh, Sri Lanka and Maldives, have booming demand for infrastructure construction and power construction. In response to the national strategy of “supply-side reform”, large companies in China have actively expanded their businesses to overseas markets. Chinese power companies have mainly increased investment in overseas power contracting projects in countries along the “Belt and Road” and other developing countries in Southeast Asia, Africa and Middle East region, which has created a sound business environment for the export of the Group’s medium-and-low-voltage transmission and distribution products and the business development in the global market.

BUSINESS REVIEW

In 2018, the overall operation of the Group continued to improve at a steady pace. Many photovoltaic companies in China were adversely affected by the "May 31 Policy" (5·31 新政) concerning photovoltaic power published in mid-2018, the highlighting policies of which include "limiting scale, reducing electricity price and lowering subsidies" (限規模、降電價、降補貼) and "tightening control" (強力收繮). The policy also led to consequential impacts on the Group's sales of certain products and services in relation to photovoltaic projects. In the meantime, the trade war has added uncertainties to the international market, along with the influence of tightening credit policies on the capital turnover of certain customers in China, some orders were postponed during the year, resulting in the decrease of the sales of the Group during the year to RMB628,235,000, representing a decrease of 17.2% as compared with last year.

Benefited from the prudent selection of projects and key industries, optimization of product structure and the further reduction of production cost of the Group, the gross profit recorded increase of 21.6% to RMB200,540,000 and the gross profit margin increased significantly to 31.9%, compared to that of 2017. Excluding impairment losses for trade and other receivables, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") for the year amounted to RMB61,982,000 million, positive for two consecutive years. During the year, with the continuous implementation of stringent internal control, trade payables and borrowings both decreased, and operating cash flow of the Group has been positive for three consecutive years. During the year, 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, being the most important components of the national economy, to the intelligent household appliances in ten thousands of households, the demand for intelligent power distribution terminal equipment and ecosystems with high security and reliability, realtime 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 "CloudSmart" data platform in 2012, after accumulating and analyzing 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 year, China Life Insurance adopted the full-cycle products and a full range of services of "Cloud+" of the Group in the Jinan project of its Shangdong branch, with contract value of tens of millions of RMB. Trust from large companies reflected that Boer Power has further increased their value through the integration of cloud platform and intelligent power distribution solutions, and that the Group's exploration of realization model of big data has gradually borne fruits.

Starting from 2017, the construction of data center has been led by the Internet enterprises instead, along with the promotion of 5G technology, the number of data centers in China rose drastically, which is favourable to upstream suppliers, such as lessors of electric power and racks, and service providers of operation and maintenance of data centers. Leveraging its own technical advantages, excellent reputation and years of experience in data center and power distribution market, China Telecom has applied the intelligent power distribution components marked with the Group's self-owned brand to its data centers nationwide, and adopted lowvoltage intelligent power distribution solutions of Boer Power for its construction projects in five provinces, namely Shanghai, Guangdong, Shaanxi, Yunnan and Shanxi during the year, the contract value of which totalled RMB60 million. In July, the Group also provided a low voltage intelligent power distribution solution for the signature WaiGaoQiao Data Center located in Shanghai for Global Data Solutions (GDS), another long-term customer, with a contract value of approximately RMB20 million. Such project is one of the Group's key collaboration projects with GDS during the year. The continuous and multiple cooperation between both parties during the year not only demonstrated that the products and services offered by the Group can perfectly satisfy the need of high performance data centers, but also pave the way for future cooperation with GDS for the construction of phase II and phase III of the new development projects in Shanghai.

Meanwhile, the Group maintained stable, mutually beneficial and intensive partnership with industry leaders, including three major domestic communication operators, GDS, Centrin Data Systems, Alibaba, Rangei DC, etc. to provide products and services for their data centers and office buildings across the country on a long-term basis. In addition to the data centers, leveraging the industry-leading technology and the big data accumulated on its platform over the years, the Group continued to receive long-term support from the Global Top 500 companies and other large-scale domestic and overseas companies, including Anheuser-Busch InBev, Suez Environment, State Grid, China Southern Power Grip, Kaisa, etc..

Meanwhile, the Group proactively cooperated with large-scale state-owned general contractors to obtain more orders, focusing mainly on infrastructure projects and rail transit in urban areas. During the Year, the Group performed the third round cooperation with Qingdao Metro and successfully won the bidding on the project of Qingdao Metro Line No. 1 in early May, providing the integrated low-voltage intelligent power distribution solution for the longest cross-sea metro line of China, with a contract value of RMB66,800,000; 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 RMB70,000,000, representing the successful extension of the Company's product line to the sector of electromechanical product of urban rail transit; in addition, in September, the Group successfully won the bidding on the project of Qingdao Metro for the third time during the year, providing the low-voltage environmentally-controlled switchgear for Line 8, with a total contract value of RMB48,000,000.

In terms of overseas business, the strong demand for infrastructure investment and construction from countries along the "Belt and Road", especially in Southeast Asia, Africa and the Middle East, has provided a huge market for Boer Power's intelligent power transmission and distribution products and services. During the Year, the Group actively seized the business opportunities in overseas markets through its branches established in Spain, Mexico, Indonesia and Australia. During the Year, the Group independently won the bidding on the project between China and Russia in the non-energy fields, the forestry-pulppaper integration project in Amazar, Russia, providing integrated solution for low-voltage intelligent power distribution. In addition, by cooperating with major domestic and foreign contractors, the Group won 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, providing them with the Group's intelligent power distribution products and integrated solutions, thereby extending the Group's products and services to all parts of the world.

As the pioneering brand in the industry to take the lead in the introduction of big data into power distribution solutions, Boer Power continued to invest in research and development with a view to consolidating its leading technology advantages in terms of cloud data platform with its best endeavours. During the Year, the Group further studied the big data in relation to power consumption of customers and analysed the demand of customers via the big data platform, working aggressively on developing solutions targeting various industries' specific requirements for power distribution, at the same time constantly optimizing the operation efficiency and software operation system of the "Cloud Smart" platform so as to increase the revenue from value-added services. Among them, the launch of "Cloud+" full-cycle products and services marked the 3.0 era of the Group's products, during which the Group will continue to maintain the leading position in the industry in terms of technological development under the trend of intelligent manufacturing and industrial informationisation.

The total revenue of the Group amounted to RMB628,235,000 million for the year ended 31 December 2018, representing a decrease of 17.2% as compared to that of 2017. The decrease in revenue was mainly attributable to uncertainties over the domestic economic environment and prudence on selection of projects and key industries by the Group.

The total loss attributable to the equity shareholders of the Company amounted to approximately RMB958,429,000 for the year ended 31 December 2018 (31 December 2017: loss attributable to the equity shareholders of the Company of approximately RMB220,974,000). The increase in loss was mainly due to impairment losses made for certain trade receivables for the year ended 31 December 2018, after the adoption of the expected credit loss model under Hong Kong Financial Reporting Standard 9 Financial Instruments issued by the Hong Kong Institute of Certified Public Accountants.

As at 31 December 2018, the total assets of the Group were approximately RMB1,794,246,000 (31 December 2017: approximately RMB3,281,987,000) while the total liabilities were approximately RMB1,605,160,000 (31 December 2017: approximately RMB2,093,741,000) and the total equity of the Group amounted to approximately RMB189,086,000 (31 December 2017: approximately RMB1,188,246,000).

The Group's trade and bills payables, and borrowings have recorded a significant year-on-year decrease to RMB134,851,000 (31 December 2017: RMB309,766,000) and RMB694,893,000 (31 December 2017: RMB1,026,756,000) respectively.

OPERATION AND FINANCIAL REVIEW

EDS Solutions

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

The total sales of EDS Solutions of the Group for the year ended 31 December 2018 amounted to approximately RMB765,000 (2017: approximately RMB925,000), representing approximately 0.1% (2017: approximately 0.1%) of the Group's total revenue for the year. A decrease in sales of EDS Solutions of 17.3% was recorded when the gross profit of this business segment was approximately RMB170,000 (2017: approximately RMB116,000), representing an increase of 46.6% as compared to that of 2017.

The gross profit margin of EDS Solutions segment increased from 12.5% for 2017 to 22.2% for the year.

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 be used on the analysis 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 centre, 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 total sales of iEDS Solutions of the Group for the year ended 31 December 2018 was approximately RMB297,520,000 (2017: approximately RMB317,464,000), which accounted for approximately 47.4% (2017: approximately 41.8%) of the Group's total revenue for the year. The decrease in the sales of iEDS Solutions was 6.3% for the year ended 31 December 2018. The decrease in the revenue of this business segment was mainly driven by reduced sales order from customers of iEDS. The gross profit of this business segment was approximately RMB87,618,000 (2017: approximately RMB71,174,000), representing an increase of 23.1% as compared to that of 2017.

The gross profit margin of iEDS Solutions segment increased from 22.4% for 2017 to 29.4% for the year. The increase was mainly because the Group implements optimization of the production process and cost saving which reduced waste and defective products.

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 consideration 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 value-added services and others.

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.

The total sales of EE Solutions of the Group for the year ended 31 December 2018 was approximately RMB137,183,000 (2017: approximately RMB253,957,000), which accounted for approximately 21.8% (2017: approximately 33.5%) of the Group's total revenue for the year. A decrease in the sales of EE Solutions was 46.0% for the year ended 31 December 2018. This was mainly because reduced sales order from customer of EE. The gross profit of this business segment was approximately RMB76,971,000 (2017: approximately RMB58,045,000), representing an increase of 32.6% as compared to that of 2017.

The gross profit margin of EE Solutions segment increased from 22.9% for 2017 to 56.1% for the year. The increase was mainly because the Group implements optimization of the production process and cost saving which reduced waste and defective products.

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 total sales of CSP Business of the Group for the year ended 31 December 2018 was approximately RMB192,767,000 (2017: approximately RMB186,325,000), which accounted for approximately 30.7% (2017: approximately 24.6%) of the Group's total revenue for the year. An increase in the sales of CSP Business of 3.5% for the year ended 31 December 2018 was recorded. The gross profit of this business segment was approximately RMB35,781,000 (2016: approximately RMB35,565,000), representing an increase of 0.6% as compared to that of 2017.

The gross profit margin of CSP Business segment decreased from 19.1% for 2017 to 18.6% for the year.

PROSPECT

Looking forward to 2019, the Group will continue to focus on pushing ahead with the development of data centers, infrastructure facilities, overseas markets with high demand and the relationship with long-term and large-scale customers in an effort to resume its sales growth.

Underpinned by the explosive growth of cloud computing and the continuous development of 5G technology, the scale and capacity requirement of data center continued to expand rapidly. Coupled with the trend that the design and structure of data centers are becoming simpler, more efficient and more flexible, the Group believes that by leveraging the Group's advantages established in the data center industry over the years, the "One-stop Data Center Solution" of Boer Power will remain the Group's major growth driver of sales. According to the industrial information forecast of China, by 2020, 99% of the Internet traffic will be related to data center, while Internet traffic within data center will reach 70%. Among which, 92% of workloads of servers will be processed by the cloud data center, with total workloads of data center and workloads of cloud data center increasing by more than 2 times and 3 times as compared to that in 2015, respectively. With 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. Leveraging the leading technology advantages in the industry and the rich project management experience, it is expected that the Group will maintain the long-term cooperation relationship with Chinese top data center operators and three major telecommunications companies of China, and continue to actively reach out to new customers.

Driven by the policy that encourages the strengthening of weak areas for infrastructure and the loosening monetary policy introduced in July 2018, the growth of domestic infrastructure business is expected to promote increase in the number of order in 2019. Various cities have intensified their efforts in promoting rural revitalization, relaunch of rail transit and further power investment, while relevant departments have accelerated the implementation of projects and increased project reserves, and pushed forward the construction of a large number of projects. As pointed out in the latest China Monetary Policy Report recently issued by the People's Bank of China, Renminbi loans increased by RMB16.2 trillion over the Year, up by RMB2.6 trillion year-on-year, while at the end of the Year, the size of social financing increased by 9.8% year-on-year. Benefited from the increase in infrastructure input for the coming year due to loosening monetary policy, it is expected that the Group will be provided with more opportunities for its business development in various infrastructure-related sectors such as rail transit, sewage treatment, airport and port construction, etc..

In terms of overseas market, in order to capitalize the huge business opportunities emerging from the rapid growth of demand for power transmission and distribution in Africa, Southeast Asia, the Middle East, Latin America and the countries along the "Belt and Road", the Group is now integrating its resources for business promotion, strengthening the marketing capability of branches located in various regions and continuing to cooperate with large-scale general contractors. According to the forecast of the World Bank, the economic growth in the Middle East and North Africa is expected to accelerate to 1.9% in 2019; while the economic growth in Indonesia and Sri Lanka is expected to remain at 5.2% and 4%, respectively. As the Group believes that active economic development in such regions will stimulate the growth of local infrastructure projects, the Group will capture the economic growth in regions within its business coverage to establish its business presence in such regions.

In March 2019, State Grid Corporation of China published "Outline for Building of the Ubiquitous Internet of Things for Electricity (泛在電力物聯網建設大綱)". The "Ubiquitous Internet of Things for Electricity (泛在電力物聯網)" connects electricity users and their equipment, power grid enterprises and their equipment, power generating enterprises and their equipment, suppliers and their equipment as well as human and objects, delivering shared data, thereby serving users, power grid, power generation, suppliers and the government and the society; it plays the role of a platform for sharing, with power grid as the focus, bringing greater opportunities and providing valued services for the development of the entire industry and more market subjects. In the Outline, the State Grid Corporation of China put forward the strategy of "three forms and two networks (三型兩網)" as well as the progressive target "to closely capture the strategic breakthrough period from 2019 to 2021; through three years of efforts, by 2021, the establishment of Ubiquitous Internet of Things for Electricity will be preliminarily completed; through another three years of improvement, by 2024, the establishment of the Ubiquitous Internet of Things for Electricity will be completed". State Grid Corporation of China is a long-term customer of the Group. As one of the enterprises selected by State Grid Corporation of China for centralized procurement, coupled with the Group's years of experience in providing power distribution and power consumption services and products based on big data platforms as well as its leading technology, the Group is fully confident to capture this major opportunity for developing the industry, hence providing support for the future development of "Ubiquitous Internet of Things for Electricity" as well as injecting strong driving force for the continuous development of the own industry.

Furthermore, since the market and investments in industries such as consumer goods, pharmaceuticals, new energy and environmental protection in China will continue to grow, while maintaining its existing large-scale and long-term customers, the Group will proactively reach out to quality customers of the above industries, and take initiatives to provide solutions and services for long-term customers seeking overseas expansion, thereby realizing global coverage of its solutions and services.

In 2019, the Group will continue to control production costs and proactively seek to consolidate the Group's gross profit margin level through constant optimization of product structure with its high value-added services. Meanwhile, the management will strengthen its refined management, improve operation efficiency, gradually reduce the sales expense ratio and reduce management expenses, thereby improving the Company's profitability. Moreover, the Group will also actively step up its efforts in the recovery of accounts receivable from customers, continue to reduce liabilities and financial costs, improve the structure of assets and liabilities, stabilize the level of cash flow and continue to demonstrate the business strengths of Boer Power amid the highly volatile economic environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits with original maturity over three months, trade and other receivables, trade and other payables, amounts due to related parties, obligation under a finance leases and borrowings. As at 31 December 2018, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB10 million (31 December 2017: approximately RMB16 million), approximately RMB18 million (31 December 2017: approximately RMB612 million) and approximately RMB696 million (31 December 2017: approximately RMB1,340 million) respectively. As at 31 December 2018, the Group had borrowings amounting to approximately RMB695 million (31 December 2017: approximately RMB1,027 million). Most of cash and cash equivalents and borrowings are denominated in RMB. The Group's gearing ratio, which was expressed as a ratio of the borrowings over total equity, was 367.5% as at 31 December 2018 (31 December 2017: 86.4%).

CHARGES ON ASSETS

As at 31 December 2018, borrowings amounting to approximately RMB210,000,000 (31 December 2017: approximately RMB1,026,756,000) were secured by property, plant and equipment of RMB91,734,000 (31 December 2017: RMB110,583,000), lease prepayments of RMB30,895,000 (31 December 2017: RMB31,634,000) and nil pledged deposits (31 December 2017: RMB322,200,000).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days increased by 16 days from 72 days for the year ended 31 December 2017 to 88 days for the year ended 31 December 2018. The average trade receivables turnover days decreased by 310 days from 1,082 days for the year ended 31 December 2017 to 772 days for the year ended 31 December 2018. 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 153 days from 343 days for the year ended 31 December 2017 to 190 days for the year ended 31 December 2018. 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 22 March 2019, the Group received over RMB227.8 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2018.

GOING CONCERN BASIS

During the year ended 31 December 2018, the Group recorded a loss of RMB997,879,000 (31 December 2017: loss of RMB223,489,000. In addition, the Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only which are indications that the Group may not be able to repay its debts when they fall due. 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 and, therefore, that is may be unable to realise its assets and discharge its liabilities in normal course of business. Details of the going concern basis have been set out in note 3(b) to the Group's consolidated financial statements.

CONTINGENT LIABILITIES

Saved as disclosed in note 34 to the Group's consolidated financial statements, as at 31 December 2018, the Group did not have any contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

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

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

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2018.

EMPLOYEES AND REMUNERATION POLICY

The Group had 978 (31 December 2017: 1,016) employees as at 31 December 2018. The total staff costs for the year under review were approximately RMB80 million (2017: approximately RMB120 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. Market risks

The Group is exposed to certain market 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. The details are set out in note 32 to the consolidated financial statements.

2. Commercial risks

The Group is facing various competition by multinational companies in the same industry, and also finds that an increasing number of domestic competitors enter 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.

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 for saving 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 regards 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 the above approaches, 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 law 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), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2018, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with a total of 215,625,000 offer shares (including shares issued as a result of the exercise of the over-allotment option) issued. The net proceeds raised from the global offering were approximately HK$1,251 million (equivalent to approximately RMB1,067 million).

The following table sets forth the status of use of proceeds from the global offering[1]:

	Proceeds from global offering RMB'000	Percentage	Used up to 31 December 2018 RMB'000	Unused balance RMB'000
Expanding the upstream component production capability	266,637	25%	266,637	–
Expanding the downstream sales channel and market segment in China	373,291	35%	373,291	–
Payment of outstanding balance of the consideration in relation to the construction and completion of the Luoshe Town new plant	159,982	15%	159,982	–
Purchase of equipment in the Luoshe Town new plant	85,324	8%	85,324	–
Purchase of equipment and software in providing more efficient EE Solutions	74,658	7%	74,658	–
Working capital and other general corporate purposes	106,655	10%	106,655	–
	1,066,547	100%	1,066,547	–

1 The figures in the table are approximate figures.

It was stated in the section headed "Future Plans and Use of Proceeds" in the listing prospectus of the Company dated 7 October 2010 (the "Prospectus") that the Company intended to use approximately 35% of the net proceeds received from the global offering for setting up new companies or acquisition of companies in the electrical distribution business to expand the downstream sales channel and market segment. Since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010, the Company has incurred approximately RMB373 million for expanding the downstream sales channel and market segment in China mainly by setting up a new division, purchasing land and research and development of new products in its existing subsidiaries, instead of simply setting up new companies or carrying out acquisition. Besides, taking into account completion of both the construction and purchase of equipment in relation to the Luoshe Town new plant have incurred less costs and were ahead of schedule, the Company has applied the remainder budget under the Luoshe Town new plant and purchase of its equipment to the construction of other plants and distributed power station in other regions in the PRC (including but not limited to Anda city in Heilongjiang province, Yizheng city and Jiangyin city in Jiangsu province). The Company considers that the use of such funds is in line with the strategy and future plans of the Group to expand the downstream sales channel and market segment, and the production and operational capability and coverage in China and does not constitute a material change to the use of proceeds as set out in the Prospectus. The Company also considers that it is beneficial to and in the interest of the shareholders of the Company to apply such proceeds to expand downstream sales channel and market segment, and the production and operational capability and coverage.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

QIAN Yixiang

QIAN Yixiang, aged 45, is an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Qian Yixiang was appointed as a Director of the Board on 12 February 2010 and as a member of the Company's Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Qian Yixiang is also the director of certain subsidiaries of the Company. Mr. Qian Yixiang is mainly responsible for the overall management and strategic development of our Group. Mr. Qian Yixiang joined Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"), the predecessor entity of the Group, in July 1995 and became the General Manager of Wuxi Boer in January 1998. Since he first joined Wuxi Boer in July 1995, Mr. Qian Yixiang has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian Yixiang graduated from Jiangnan University with a Diploma in Business Management in 1995. Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

JIA Lingxia

JIA Lingxia ("**Ms. Jia**"), aged 45, is an Executive Director and the Chief Operating Officer of the Company. Ms. Jia was appointed as a Director of the Board on 12 February 2010 and as a member of the Company's Remuneration Committee and Nomination Committee on 30 September 2010. Ms. Jia is also the director of certain subsidiaries of the Company. Ms. Jia is mainly responsible for the overall management of the daily operations of the Group. Ms. Jia joined Wuxi Boer in August 1995 and became the Deputy General Manager of Wuxi Boer in January 1997. From February 1995 to August 1995, Ms. Jia worked at Wuxi Special Ventilation Machine Factory, currently known as Wuxi Xishan Special Ventilation Machine Factory, as the head of the accounts department. Since Ms. Jia joined Wuxi Boer in August 1995, she has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Ms. Jia graduated from Jiangnan University with a Diploma in Business Management in 1995. Ms. Jia is the wife of Mr. Qian Yixiang and the daughter-in-law of Mr. Qian Zhongming.

ZHA Saibin

ZHA Saibin ("**Mr. Zha**"), aged 52, is an Executive Director and a Vice President of the Company responsible for new products development. Mr. Zha was appointed as a Director of the Board on 12 February 2010. Mr. Zha is also the director of certain subsidiaries of the Company. Mr. Zha is mainly responsible for the product development of the Group. Mr. Zha joined Wuxi Boer in June 2000 and became the Assistant Manager and the head of research and development department of Wuxi Boer in 2003. Prior to joining the Group, Mr. Zha worked at Wuxi City Apparatus Factory from July 1990 to May 2000 and was later appointed as the head of research and development and the Deputy General Manager in January 1996 and November 1997, respectively. Since joining Wuxi Boer in June 2000, Mr. Zha has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Zha received a Bachelor's degree in Engineering in 1990 from Hefei University of Technology.

QIAN Zhongming

QIAN Zhongming ("**Mr. Qian**"), aged 72, is an Executive Director and a Vice President of the Company responsible for assisting Mr. Qian Yixiang with the formulation of the strategic development plans of the Group. Mr. Qian was appointed as a Director of the Board on 12 February 2010. As a founding member of Wuxi Boer, Mr. Qian acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry during the last 20 years. Mr. Qian graduated from Luoshe Senior High School in 1966. Mr. Qian is the father of Mr. Qian Yixiang and the father-in-law of Ms. Jia.

NON-EXECUTIVE DIRECTOR

ZHANG Huaqiao

ZHANG Huaqiao ("**Mr. Zhang**"), aged 56, joined the Board as a Non-executive Director on 9 November 2011 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 9 November 2011. Mr. Zhang ceased to be a member of the Company's Remuneration Committee and Nomination Committee on 1 February 2012. Mr. Zhang is currently an Independent Non-executive Director of Fosun International Limited (Stock Code: 656), Zhong An Real Estate Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), Logan Property Holdings Company Limited (Stock Code: 3380) and Luye Pharma Group Limited (Stock Code: 2186), which are all listed on the Main Board of the Stock Exchange, and the Non-executive director and the Chairman of China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange.

From April 2014 to January 2018 and January 2016 to March 2019, Mr. Zhang was an Independent Non-executive Director of Yancoal Australia Ltd. (Stock Code: YAL), a company listed on the Australian Stock Exchange and China Rapid Finance Ltd. (Stock Code: XRF), a company listed on the New York Stock Exchange respectively. Between September 2014 and May 2018 and from February 2015 to June 2018, he was an Independent Non-executive Director of Wanda Hotel Development Company Limited (Stock Code: 169) and Sinopec Oilfield Service Corporation (Stock Code: 1033), companies listed on the Main Board of the Stock Exchange respectively.

From June 1999 to April 2006, Mr. Zhang worked with UBS Securities Asia Limited, ultimately becoming the Managing Director and co-head of the China research team. He was a managing director and Deputy Head of China Investment Banking at UBS between September 2008 and June 2011. Between July 1986 and January 1989, Mr. Zhang worked as a principal staff member with the People's Bank of China. Between April 2006 and September 2008, he was Chief Operating Officer at Hong Kong-listed Shenzhen Investment Limited (Stock Code: 0604).

Mr. Zhang obtained a Master's degree in Economics from the Graduate School of the People's Bank of China in 1986 and a Master's degree in Economics from the Australian National University in 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YEUNG Chi Tat

YEUNG Chi Tat ("**Mr. Yeung**"), aged 49, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as the Chairman of our Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Yeung is currently the Deputy President and Executive Council Member of the Hong Kong Independent Non-executive Director Association, the Vice-president of Young Professional Alliance – Accountancy Sector, the Vice president of Hong Kong General Chamber of Wine & Spirits, the Greater China Development Working Committee member of The Association of Hong Kong Accountants and a Certified Public Accountant practicing in Hong Kong. He is also an Independent Non-executive Director of Sitoy Group Holdings Limited (Stock Code: 1023) and Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), which are listed on the Main Board of the Stock Exchange, and an Independent Director of New Hope Dairy Holdings Co., Ltd. (Stock Code:002946), which is listed on Shenzhen Stock Exchange. He was an Independent Non-executive Director of Ta Yang Group Holdings Limited (Stock Code: 1991) and ANTA Sports Products Limited (ANTA) (Stock Code: 2020) which are listed on the Main Board of the Stock Exchange, from May 2007 to September 2017 and from 26 February 2007 to 1 June 2018 respectively. 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 affairs, and internal audit matters.

Mr. Yeung received a Bachelor's degree in Business Administration from the University of Hong Kong and a Master's degree in Professional Accounting with distinction from Hong Kong Polytechnic University. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a Senior International Finance Manager of the International Financial Management Association. Mr. Yeung worked at a major international accounting firm for over 10 years and then worked for various Hong Kong listed companies as the financial controller and company secretary. He possesses extensive experience in auditing, corporate restructuring and corporate finance.

TANG Jianrong

TANG Jianrong ("**Mr. Tang**"), aged 55, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Tang is currently a professor in the School of Business at Jiangnan University. Although the Group has established a long-term research relationship with Jiangnan University, Mr. Tang has never been involved in any of the research and development programmes undertaken by Jiangnan University for the Group. Neither has Mr. Tang been involved in the negotiation of any cooperation agreements. Mr. Tang currently does not receive and has not in the past ever received any personal benefit from the cooperation relationship between the Group and Jiangnan University. Mr. Tang currently is not personally interested in and was not in the past ever personally interested in such cooperation relationship.

Mr. Tang received a Bachelor's degree in Economics from Hebei Geology College, currently known as Shijiazhuang University of Economics, in 1987. He then received a Master's degree in Economics from Zhongnan University of Economics in 1990. He received a Doctoral degree in Science from Nanjing University in 2009.

QU Weimin

QU Weimin ("**Mr. Qu**"), aged 51, joined the Board as an Independent Non-executive Director on 1 August 2016 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 1 August 2016. Mr. Qu is currently the Chief Engineer of Beijing Supergreen Technologies Co., Ltd., responsible for the operation of the company and focusing on the application of fiberglass spray-on thermal insulation on ships of Chinese navy. Mr. Qu served as the Chief Representative of Franklin Fueling Systems Inc., the Beijing Office from January 2008 to December 2008. From August 2005 to December 2006, Mr. Qu served as the Deputy General Manager of Wuxi Electrical Instrument & Power System Factory (currently known as "Wuxi Boer Power Instrumentation Company Ltd."). Prior to that, Mr. Qu worked as the Product Manager of Veeder-Root Petroleum Equipment (Shanghai) Co., Ltd. between May 2004 and July 2005. For the period from July 1996 to May 2004, Mr. Qu worked with Schneider Electric (China) Investment Co., Ltd where he served various positions including Product Marketing & Strategic Planning Manager of Medium Voltage Activity, Activity & Franchise Operation Manager of Medium Voltage Primary Distribution Activity, DV2 Vacuum Circuit Breaker Project Manager and Franchise Operation Manager of Low Voltage Distribution Activity. Mr. Qu has over 26 years' experience in the power industry.

Mr. Qu obtained a Master of Business Administration from the City University of Seattle in 2003 and a bachelor's degree in Electrical Engineering from Tsinghua University in 1990.

SENIOR MANAGEMENT

AN Di

AN Di ("**Mr. An**"), aged 45, is the Human Resources and Legal Director of the Group. Mr. An joined the Group in March 2005 and was appointed as Assistant to General Manager and the Head of Internal Compliance of Boer Wuxi in November 2006, as factory Operation Manager of Boer Wuxi and as the Human Resources Director of the Group in October 2012. Mr. An was re-designated as Human Resources and Legal Director of the Group in July 2015. Since he joined the Group in March 2005, Mr. An has gained experience in overlooking the implementation of internal compliance and human resources matters. Prior to joining the Group, Mr. An had been an Assistant to the Factory Director of Tianshui Cheungcheng General Electric Apparatus Factory. Mr. An graduated from Xi'an Jiaotong University with a diploma in Jurisprudence in 2006.

WU Chang

WU Chang ("**Mr. Wu**"), aged 49, is the Business and Technology Director of the Group. Mr. Wu is mainly responsible for project technical plan development, business quotations, industrial design of product technology and providing training to technical staff. Mr. Wu joined Wuxi City Instrumentation System Works in July 1995. He was appointed as Project Manager of Boer Wuxi in March 2003 and as Quality Control department's Manager of Boer Power in June 2008. In September 2012, Mr. Wu was promoted to the Customer Center Director of the Group. He was re-designated as the Research and Development Director of the Research and Development Department in June 2015 and was then re-designated as the Business and Technology Director in March 2017. Mr. Wu graduated from Suzhou Sericulture College in 1993.

LI Xianli

LI Xianli ("**Mr. Li**"), aged 45, is the Oversea Markets Director of the Group. Mr. Li is mainly responsible for the development and sales work of oversea markets of the Group. Mr. Li joined Boer Power in April 2011 as the Operation Director. Mr. Li was the Purchasing Engineer and Purchasing Supervisor of York (Wuxi) Air-conditioner Refrigeration Equipment Co., Ltd. from February 1997 to November 2004. Prior to joining the Group, Mr. Li worked as the Operating Manager and General Manager of Compair Global Purchasing Center (Shanghai) Co., Ltd. from December 2004 to March 2011. Mr. Li received a Bachelor's degree in Economics in 1997 from Nanjing Agricultural University and then a Master's degree in Business Administration in 2006 from Fudan University.

SHEN Weizu

SHEN Weizu ("**Mr. Shen**"), aged 46, is the Operation Manager of Wuxi Tezhong Electrical Capacitor Co., Limited. Mr. Shen joined Boer Wuxi in January 1993 and was appointed as the Manufacturing Supervisor and Quality Supervisor of Boer Wuxi in April 1999 and July 2005 respectively. Subsequently he worked as the Operation Manager of Yixing Boai Automation Complete Sets of Equipment Co., Ltd. and then Boer Wuxi between the period from September 2010 and September 2013. In October 2013, Mr. Shen was promoted to Supply Chain Management Director of the Group. Mr. Shen was re-designated as Engineering Director of the Engineering Department in June 2015 and was appointed as Operation Manager of Wuxi Tezhing Electrical Capacitor Co., Limited in April 2017. Mr. Shen graduated from Jiangsu Provincial Huaiyang Electronic Industrial College in 1993.

KWOK Yuk Chun

KWOK Yuk Chun ("**Ms. Kwok**"), aged 48, is the Finance Director and Company Secretary of the Group. Ms. Kwok is mainly responsible for the financial management, corporate financing and company secretarial matters. Ms. Kwok joined the Group as Finance Director and Company Secretary in 2011. Prior to joining the Group, Ms. Kwok worked as the Senior Manager in a Big 4 international accounting firm. She possesses extensive experience of over 20 years in financial management, auditing, corporate restructuring and corporate financing as well as human resources management of listed companies. Ms. Kwok graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant practicing in Hong Kong.

WANG Yun

WANG Yun ("**Mr. Wang**"), aged 38, is the General Manager of Boer Energy Jiangsu Co., Ltd.. Mr. Wang is mainly responsible for the planning, operation and management of photovoltaic projects. Mr. Wang joined Boer Energy Jiangsu Co., Ltd. in July 2013 as General Manager. Prior to joining the Group, from May 2003 to May 2007 and May 2007 to November 2009, Mr. Wang worked as an Overseas Sales Manager of Wuxi Suntech Power Co., Ltd. and Vice President of Sales in Europe of Suntech Power Holdings Co., Ltd. respectively. Mr. Wang worked as the Operating Officer of Europe Suntech Power Co., Ltd. from December 2009 to March 2011. Mr. Wang graduated from Nanjing University of Finance and Economics in 2003.

LU Jiang

LU Jiang ("**Mr. Lu**"), aged 38, is the Investor Relations Manager of the Group. Mr. Lu joined Boer Power in May 2015. He has extensive experience in the area of investor relations. Prior to joining the Group, Mr. Lu worked as the News and Public Affairs Officer of the British Embassy in China, the Corporate Development and Investor Relations Manager of Gome Electrical Appliances Holding Limited (stock code: 493) and the Investor Relations Manager of PW Medtech Group Limited (stock code: 1358). Mr. Lu received a Master's degree in Computer Science from University of Hertfordshire in 2003.

ZHANG Xiaochen

ZHANG Xiaochen ("**Mr. Zhang**"), aged 33, is the Internal Audit Manager of the Group. Mr. Zhang is mainly responsible for the formulation and optimisation of the Company's internal control process and execution standard according to the needs of its business development; the execution of the internal control of the Company to help various departments, subsidiaries and holding companies to carry out on-site supervision over the relevant business processes and operating practices to reduce management risk. Mr. Zhang joined Boer Wuxi in September 2015 as the Financial Internal Control Manager and was appointed as the Internal Audit Manager in December 2015. Prior to joining the Group, Mr. Zhang worked as the Auditor of the Audit Department of Csc & Associados Sociedade De Auditores in Macau from September 2008 to October 2010. From October 2010 to October 2012, Mr. Zhang worked as the Senior Auditor of Lehman Brown International Accountants. From October 2012 to September 2015, Mr. Zhang worked as the Senior Auditor of the Internal Audit Office of Daikin (CHINA) Investment Co., Ltd.. Mr. Zhang graduated from Macau University of Science and Technology in 2008 with a Bachelor of Business Administration in Accounting.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2018.

The Company has complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except for the deviations from the code provisions A.2.1.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2018 regarding the 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 following sections set out how the principles in the Code have been complied with by the Company during the financial year ended 31 December 2018.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2018, the Board comprised eight Directors consisting of four Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

Function

The Board is responsible for the oversight of the management of the Company's business and affairs with the objective of enhancing shareholder value.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on the compliance with the legal and regulatory requirements, the compliance with the Model Code and the compliance manual applicable to the Company's employees and the Directors, and reviewing the Company's compliance with the Corporate Governance Code and disclosing in the corporate governance report of the annual report of the Company.

In addition, the Board is also responsible for reviewing the risk management system, discussing with the management to ensure the effectiveness of the risk management system, considering major investigation findings on risk management matters and management's response to these findings, reviewing arrangements by which employees and those who deal with the Company can raise the concerns about possible improprieties in risk management related to the Company, and ensuring appropriate follow-up actions have been taken.

The Board engaged an external independent consultant to assess the effectiveness of the Group's risk management and internal control systems annually which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions. The assessment report was reviewed by the Audit Committee and the Board to ensure the Company's risk management and internal control systems have been worked effectively.

The daily operations, business strategies and administration of the Company are delegated to the Executive Directors and the management with the divisional heads responsible for different aspects of the business. When the Board delegates different aspects of its management and administrative functions to the senior management, it gives clear directions in relation to the scope of powers of the senior management. Although the Board is not involved in the Group's day-to-day operations, it does have a formal schedule of matters reserved for its own decision, as defined in its terms of reference.

Board meetings

During the year ended 31 December 2018, four meetings were held by the Board and the Directors did not authorise any alternate Director to attend Board meetings. The attendance record of each Director is set out below:

Name of Board members	Number of attendance	Number of meetings
Executive Directors		
Mr. Qian Yixiang[(i)] *(Chairman and Chief Executive Officer)*	4	4
Ms. Jia Lingxia[(i)] *(Chief Operating Officer)*	4	4
Mr. Zha Saibin	4	4
Mr. Qian Zhongming[(i)]	3	4
Non-executive Director		
Mr. Zhang Huaqiao	2	4
Independent Non-executive Director		
Mr. Yeung Chi Tat	4	4
Mr. Tang Jianrong	4	4
Mr. Qu Weimin	4	4

Note:

(i) Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

The Directors would receive relevant documents from the Company Secretary in a timely manner to enable the Directors to be informed of the decisions of those matters discussed in the Board meetings. The Company Secretary would ensure the procedures of the Board meetings are observed and provide the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. Board minutes prepared and kept by the Company Secretary are sent to the Directors for records and are open for inspection at any reasonable time on reasonable notice by any Director.

Independent Non-executive Directors

As at 31 December 2018, the Company had complied with Rules 3.10(1) and 3.10A of the Listing Rules. There were three Independent Non-executive Directors, representing one-third of the Board. Among the three Independent Non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Independent Non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the Independent Non-executive Directors annual written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the Independent Non-executive Directors are independent.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the 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 its 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. During the year ended 31 December 2018, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that 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.

Appointment, re-election and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an additional Director to the existing Board shall hold office only until the next following annual general meeting of the Company (the "AGM") and shall then be eligible for re-election.

In accordance with the articles of association of the Company (the "Articles"), one third of the Directors for the time being will retire from office by rotation. Under code provision A.4.1, all the Non-executive Directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Zhang Huaqiao, Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin has been appointed for a specific term of three years from their respective appointments on (i) 9 November 2011 for Mr. Zhang Huaqiao, (ii) 30 September 2010 for Mr. Yeung Chi Tat and Mr. Tang Jianrong and (iii) 1 August 2016 for Mr. Qu Weimin. Mr. Yeung Chi Tat and Mr. Qu Weimin had retired from their offices and been re-elected as Independent Non-executive Directors at the 2016 AGM. Mr. Zhang Huaqiao had retired from his office and been re-elected as Non-executive Director at the 2017 AGM. Ms. Jia Lingxia and Mr. Zha Saibin, the Executive Directors and Mr. Tang Jianrong, the Independent Non-executive Director shall retire from their offices at the forthcoming AGM and shall be eligible to offer themselves for re-election pursuant to articles 108 and 109 of the Articles.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office and the Company may by ordinary resolution appoint another Director in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

Directors' continuous training and development

Directors should keep abreast of the responsibilities as a Director and of the conduct, business activities and development of the Group. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates the Directors with circulars and guidance notes on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The Group also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge his duties.

A summary of the trainings received by the Directors for the year ended 31 December 2018 is as follows:

Name of Board members	Training on corporate governance regulatory development and other relevant topics
Executive Directors	
Mr. Qian Yixiang[(i)]	✓
Ms. Jia Lingxia[(i)]	✓
Mr. Zha Saibin	✓
Mr. Qian Zhongming[(i)]	✓
Non-executive Director	
Mr. Zhang Huaqiao	✓
Independent Non-executive Directors	
Mr. Yeung Chi Tat	✓
Mr. Tang Jianrong	✓
Mr. Qu Weimin	✓

Note:

(i) Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

COMMITTEES OF THE BOARD

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 30 September 2010 and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 27 March 2012. As at 31 December 2018, the Remuneration Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and the senior management, as well as specific remuneration packages, conditions and terms of employment for the Directors and senior management, and evaluating and making recommendations on the employee benefit arrangements.

The remuneration of the Directors is determined by the Board, upon the recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2018, one meeting was held by the Remuneration Committee to review and make recommendations of the remuneration of the Directors and senior management. No alternate Director was authorised to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meeting
Independent Non-executive Directors		
Mr. Yeung Chi Tat	1	1
Mr. Tang Jianrong	1	1
Mr. Qu Weimin	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	0	1

Audit Committee

The Company established an audit committee (the "Audit Committee") on 30 September 2010 in compliance with Rules 3.21 and 3.23 of the Listing Rules and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 15 December 2015. As at 31 December 2018, the Audit Committee had four members comprising three Independent Non-executive Directors and one Non-executive Director, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin and Mr. Zhang Huaqiao. Mr. Yeung Chi Tat is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, to review the Company's annual report and interim reports and to provide advice and comments thereon to the Board, as well as to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and assessing their independence and performance.

The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2018, the Audit Committee reviewed the interim and annual financial statements and reports and discussed with the external auditors on any significant or unusual items before submitting such reports to the Board, reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, as well as reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system and associated procedures. The Audit Committee also discussed the risk management system of the Company with the management. In addition, the members of the Audit Committee held a meeting with the management and the independent professional accounting firm appointed by the Company relating to the internal control review matters during the year ended 31 December 2018. The Audit Committee also actively participated in the internal control review matters to improve and strengthen the internal control system of the Company, where necessary.

During the year ended 31 December 2018, three meetings were held by the Audit Committee. No alternate Director was authorised to attend such meetings and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-executive Directors		
Mr. Yeung Chi Tat	3	3
Mr. Tang Jianrong	3	3
Mr. Qu Weimin	3	3
Non-executive Director		
Mr. Zhang Huaqiao	3	3

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed the Company's annual results for the year ended 31 December 2018.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 30 September 2010 and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 26 August 2013. As at 31 December 2018, the Nomination Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors. The Nomination Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and assessing the independence of the Independent Non-executive Directors.

The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee has adopted a Board Diversity Policy (the "Board Diversity Policy") which became effective on 26 August 2013. A summary of the Board Diversity Policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress towards achieving those objectives are outlined below.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance. It recognises and embraces the benefits of having a diverse Board, which can be achieved through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee has primary responsibility for identifying qualified candidates to become members of the Board and Board appointments will continue to be made on a merit basis, with candidates being considered against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee is also responsible for monitoring the implementation and reviewing the effectiveness of the Board Diversity Policy.

Furthermore, a nomination policy (the "Nomination Policy") has been adopted and became effective on 31 December 2018. According to the Nomination Policy, the Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of directors or re-appointment of any existing Board member(s): (a) reputation for integrity; (b) accomplishment, experience and reputation in the business and industry; (c) whether the proposed candidate is able to assist the Board in effective performance of the responsibilities; (d) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries; (e) diversity in all aspects, including but not limited to gender, age, cultural and educational background, or professional experience, as set out in the Board Diversity Policy, as amended, supplemented or otherwise modified from time to time; (f) compliance with the criteria of independence, in case for the appointment of an Independent non-executive Director, as prescribed under the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time; and (g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

In terms of the nomination procedures of the Company, the proposed candidates will be asked to submit the biographical information (or relevant details) in a prescribed form by the Nomination Committee. The Nomination Committee shall, upon receipt of the biographical information (or relevant details) of the proposed candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is suitable. The Nomination Committee shall make recommendations to the Board for its consideration and recommendation. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the criteria as set out above. For the person that is nominated by a shareholder for election as a director at the general meeting of the Company pursuant to its constitutional documents, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

As at 31 December 2018, the Board comprised eight Directors, which is characterised by diversity in terms of gender, age, cultural and educational background, professional experience and skills.

During the year ended 31 December 2018, one meeting was held by the Nomination Committee and the work performed includes reviewing and making recommendations to improve the structure, size and composition of the Board. No alternate Director was authorised to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meeting
Independent Non-executive Directors		
Mr. Yeung Chi Tat	1	1
Mr. Tang Jianrong	1	1
Mr. Qu Weimin	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	0	1

ACCOUNTABILITY AND AUDIT

Directors' responsibility

The Directors are responsible for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis. Details of the going concern basis have been set out in note 3(b) to the Group's consolidated financial statements.

Internal controls

The Board is responsible for the effectiveness of the internal control and risk management systems of the Group. The internal control systems are designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and manage (rather than eliminate) the risks of failure to achieve business strategies.

During the year ended 31 December 2018, the Board has reviewed the effectiveness of the internal controls procedures of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

Internal audit function

The Internal Audit Department monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Internal Audit Department reports directly to the Audit Committee and ensure the internal controls are in place and functioning properly as intended.

Also, the Board engaged an external independent consultant to assess the effectiveness of the Group's risk management and internal control systems which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2018. The assessment report was reviewed by the Audit Committee and the Board. No major issue but areas for improvement to the Group's risk management and internal control systems have been identified. All recommendations from the external independent consultant would be followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considers that the internal control and risk management processes are adequate to meet the need of the Group in its current business environment.

Auditors' remuneration

During the year ended 31 December 2018, the remunerations paid and payable to the auditors of the Company, KPMG and BDO Limited were set out as below:

Nature of services	Remuneration paid and payable RMB'000
Audit service (BDO Limited)	1,500
Non-audit service – Review of interim results (KPMG)	1,000
Total	2,500

DIVIDEND POLICY

On 31 December 2018, a dividend policy was adopted by the Company (the "Dividend Policy"). Pursuant to the Dividend Policy, the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") in an amount representing not less than 25% of the distributable net profit attributable to the equity shareholders of the Company in any financial year, whether as interim and/or final dividends. The dividend, if any, will be paid in Hong Kong dollars. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account, inter alia, the following factors: (a) the Company's results of operations; (b) the Company's actual and expected financial performance; (c) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group; and payment by the subsidiaries of cash dividends to the Company; (d) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; (e) any restrictions on payment of dividends that may be imposed by the Group's lenders; (f) the Group's expected working capital requirements, future expansion plans, investment plans and future prospects; (g) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (h) any other factors that the Board may deem appropriate.

The Dividend Policy and the declaration and/or payment of future dividends under it are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations and the Company's Memorandum and Articles of Association. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

The Company in annual general meeting may declare dividend but no dividend shall exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of the Group, and may also from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company and as it thinks fit.

The Dividend Policy is posted on the websites of the Company and the Stock Exchange.

RELATIONSHIP WITH INVESTORS AND SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Company communicates with its shareholders and investors through various channels, including the publication of interim and annual reports, press announcements and information on the websites of the Stock Exchange and the Company.

The Company continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Company has regular meetings with the financial analysts, fund managers and potential investors, and has participated in a number of investors' conferences and roadshows organised by various investment banks since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 in order to enhance the Group's relationship with the equity research analysts, fund managers, institutional investors and shareholders, as well as their understanding of the Group's strategies, operations and developments. All their discussions were limited to explanations of the previously published material and general discussion of information which is not inside information. The Group continues to strengthen its investors' relationship by participating in roadshows and conferences.

The AGM provides opportunities for the Shareholders to meet and raise questions to our Directors, the management and the external auditors. The members of the Board and external auditors will attend the AGM. The Group encourages all Shareholders to attend. Shareholders can raise any comments on the performance and future directions of the Company and exchange views with the Directors, the management and the external auditors at the AGM.

The 2017 AGM was held on 31 May 2018 and the attendance record of each Director is set out below:

Name of Board members	AGM
Executive Directors	
Mr. Qian Yixiang *(Chairman)*	1
Ms. Jia Lingxia	1
Mr. Zha Saibin	1
Mr. Qian Zhongming	1
Non-executive Director	
Mr. Zhang Huaqiao	0
Independent Non-executive Directors	
Mr. Yeung Chi Tat	1
Mr. Tang Jianrong	1
Mr. Qu Weimin	1

Mr. Qian Yixiang, attended the AGM which was held on 31 May 2018 (the "2017 AGM") by telephone conference due to other business engagements. Mr. Qian Yixiang had appointed Mr. Yeung Chi Tat, an Independent Non-executive Director, as his delegate to chair the 2017 AGM and to answer the questions from shareholders. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company, Mr. Yeung Chi Tat, was also available to answer questions at the 2017 AGM.

During the year ended 31 December 2018, there have been no changes to the Company's constitutional documents.

COMPLIANCE WITH THE RISK MANAGEMENT AND INTERNAL CONTROL CODE

Internal Audit Department

On 1 January 2016, the Company set up the Audit Department to facilitate the reform of the Company's procedures. From August 2016, the audit department has converted into an Internal Audit Department following the expansion of the function of the internal control team. The Internal Audit Department is separate and independent of the operation and management system of the Group. The upmost responsible officer for internal control and audit of the Group is the professional staff with internal control and audit experiences.

The principal duties of the Internal Audit Department are, according to its own work plan, giving feedback directly to each relevant (involved) department or its head officer regarding system improvement, identification of procedural issues, and requesting for counter feedback. For example, identifying issues on streamlining and optimising the procedures and systems are reported to the responsible person of the respective department; reporting the results of inspection on the execution of quality system to the operations manager of the respective plant; and reporting the audit result on significant malpractices to the Audit Committee. On the other hand, the department also provides assistance of internal control in respect of audit or streamlining of working procedure, and directly reports to the relevant departments or subsidiaries upon their request.

The duties of the Internal Audit Department are as follows:

- To implement and lead the streamlining of systems and procedures of the Group headquarters and its subsidiaries according to its work plan;
- To provide assistance to each department in implementing optimisation of systems and procedures according to its work plan;
- To conduct audit on the business of the Group and each of its subsidiaries according to its work plan;
- To assess the formulation and execution of the Company's system according to its work plan;
- To inspect, on its own or with other departments, the abuse of power, incompliance, violation of financial system, embezzlement, leakage of confidential information, bride as well as economic crime within the Company;
- To be responsible for the audit or participate in the audit on the Company's significant business activities, projects and material business contracts.

Procedures on identifying, assessing and managing material risks

1. Engaging an external independent consultant to conduct high-level risk analysis once a year;
2. The Internal Audit Department participates in the Company's annual high-level strategic meeting and various monthly business meeting as well as irregular interview with the management to identify the risks in operation and management and consider to include the same in the internal audit plan;
3. If found any material risks, the Internal Audit Department immediately reports to the Board and follows up the status of the improvement of the matter.

Procedures on reviewing the effectiveness of risk management and internal control system and resolving material internal control defects

The Internal Audit Department identifies risks by reviewing the existing system and procedure to determine whether there is any defect in critical procedures according to the system design and whether it is reasonably designed.

Further, the department identifies the effectiveness of internal control through regular and non-regular audit.

Information disclosure system

The Group has an information disclosure system to ensure the access to and confidentiality of inside information until consistent and timely disclosure of such information is made. The system regulates how these inside information are handled and disseminated, including the followings:

- The designated department reports the information on potential inside information to the Board, which shall determine if it is an inside information and timely issue the same pursuant to the Securities and Futures Ordinance and the Listing Rules;
- Information is widely and non-exclusively disclosed to the public via different ways such as financial report, announcement and the Company's website so that its fair disclosure policy is implemented and disclosed.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article 64 of the Articles, an extraordinary general meeting ("EGM") shall be convened on the written requisition of one or more members of the Company, at the date of the deposit of the requisition, holding in aggregate of not less than one-tenth of the paid-up capital of the Company which carries the right of voting at the general meetings of the Company. The requisition must specify the objects of the meeting and must be signed by the relevant requisitionist(s) and deposited by the Company Secretary at the Company's principal place of business. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene a meeting, the requisitionist(s) may themselves convene a meeting provided that any meeting so convened shall not be held after the expiration of 2 months from the said date.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders must submit a written notice of proposals they wish to put forward at an AGM or EGM with the detailed contact information to the Company Secretary by email to yc.kwok@boerpower.com, or by fax to (852) 2544 7272, or by mail to the Company's principal place of business at Unit 1805, 18th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, within a reasonable time prior to the general meeting so that the Company will be allowed to meet the notice period to be given to all the Shareholders as set out below. Detailed procedures and the notice period to be given to all the Shareholders for consideration of the proposal raised by the shareholders concerned at an AGM or EGM varies according to the nature of the proposal. The procedures for the shareholders to convene and put forward proposals are set out in the notice of the AGM or EGM and are also available on request to the Company Secretary. The notice period is set out below:

(i) At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in an EGM.

(ii) At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes a special resolution of the Company in an EGM or any resolution of the Company in an AGM.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with contact information of the requisitionists to the Board in writing through the Company Secretary by email to yc.kwok@boerpower.com, or by fax to (852) 2544 7272, or by mail to the Company's principal place of business at Unit 1805, 18th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements. The nature of the principal activities of the Group has not changed during the year ended 31 December 2018.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 17 of this annual report. Such discussion forms part of this report of the Directors.

RESULTS AND DIVIDENDS

The financial results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group made charitable donations by cash amounting to RMB35,000 (2017: Nil).

INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

The major additions to investment property, other property, plant and equipment of the Group include the addition of other property and new machineries and equipment in Wuxi. Particulars of the movements in investment property, other property, plant and equipment of the Group during the year ended 31 December 2018 are set out in notes 13 and 14 to the financial statements.

SHARE CAPITAL

The movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 31(c) to the financial statements.

DISTRIBUTABILITY OF RESERVE

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$20,668,000 (31 December 2017: HK$20,831,000) and is set out in note 31(e) to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

RESERVES

The movements in the reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity and note 31(a) to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the five largest customers of the Group accounted for approximately 32.1% of the total revenue of the Group and the largest customer accounted for approximately 7.5% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 15.2% and 32.6% of the Group's total purchases for the year ended 31 December 2018, respectively.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers and customers.

DIRECTORS

During the year ended 31 December 2018, the Directors were:

Executive Directors
Mr. Qian Yixiang *(Chairman and Chief Executive Officer)*
Ms. Jia Lingxia *(Chief Operating Officer)*
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

In accordance with article 108 of the Articles, one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement at least once every three years. Ms. Jia Lingxia and Mr. Zha Saibin, the Executive Directors and Mr. Tang Jianrong, the Independent Non-executive Director shall retire from their offices at the Company's forthcoming AGM and shall be eligible to offer themselves for re-election pursuant to articles 108 and 109 of the Articles.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The Non-executive Director and Independent Non-executive Directors have been appointed for a term of three years in accordance with their respective appointment letters.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2018, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors or entities connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the Group's business to which the Company, its holding company, or any of its subsidiaries or related companies was a party during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKINGS

Each of the Company's controlling Shareholders, has confirmed to the Company of his/its compliance with the non – competition undertakings given to the Company under the Deed of Non-competition as defined in the prospectus dated 7 October 2010. The Directors (including the Independent Non-Executive Directors) have reviewed the status of compliance and also confirmed that all the undertakings under the Non-competition Deed have been complied with by the Controlling Shareholders.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2018.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

The particulars of the Directors' and senior management's remuneration and the five highest paid employees during the financial year ended 31 December 2018 are set out in notes 10 and 11 respectively to the financial statements.

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 Listing Rules which are granted during the duration of the Share Option Scheme and those that 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.

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.

Subject to the rules of the Share Option Scheme, the maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any shares subject to share options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the shareholders in a general meeting) excess 1% of the shares in issue for the time being.

The Company did not have any outstanding option at the beginning and at the end of the year. During the year ended 31 December 2018, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

As at the date of 2017 annual report and this annual 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 a selected employee under the Share Award Scheme is limited to 1% of the issued share capital of the Company as at the Adoption Date.

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

As at the date of 2017 annual report and this annual 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

Save as disclosed above, at no time during the year ended 31 December 2018 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Chief Executive 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 34 of this annual report.

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

The Directors and Chief Executive of the Company who held office as at 31 December 2018 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:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Directors			
Mr. Qian Yixiang	Interest of controlled corporation	521,115,000[i]	67.35
Ms. Jia Lingxia	Interest of controlled corporation	521,115,000[i]	67.35
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

Note:

(i) The 520,815,000 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 31 December 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 31 December 2018, the following 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 shareholder			
King Able	Beneficial owner	520,815,000	67.31

Save as disclosed above, as at 31 December 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 position in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had not engaged in any connected transactions or continuing connected transactions during the year which requires disclosure in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company or an associate company.

During the year, a Directors and Senior Officers Liability Insurance is in place to provide appropriate cover for the directors and senior management of the Group. However, such insurance coverage shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director and senior management.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor, BDO Limited, the audited consolidated financial statements for the year ended 31 December 2018.

AUDITOR

KPMG resigned as the auditor of the Company with effect from 5 December 2018. Board on analysis and recommendation by the management, the Company's Audit Committee recommended to appoint BDO Limited as the auditor of the Company with effect from 5 December 2018 to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the next AGM of the Company.

BDO Limited will retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-appointment.

For further details, please refer to the announcement of the Company dated 5 December 2018.

ON BEHALF OF THE BOARD

Qian Yixiang
Chairman

Hong Kong
26 March 2019

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF BOER POWER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Boer Power Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 48 to 128, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) to the consolidated financial statements, which discloses that the Group recorded a loss of RMB997,879,000 for the year (2017: loss of RMB223,489,000). The Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only which are indications that the Group may not be able to repay its debts when they fall due. As stated in that note, these conditions indicate that material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION

Refer to note 6 to the consolidated financial statements and the accounting policies on pages 78 to 80.

The Key Audit Matter	How the matter was addressed in our audit
For the year ended 31 December 2018, the Group recorded revenue mainly arising from i) sale of electrical distribution systems and related parts and ii) the Engineering, Procurement and Construction ("EPC") contracts, which accounted for about 78% and 15% of the Group's total revenue respectively. i) Revenue from sale of electrical distribution systems and related parts is recognised at a point in time when control of the goods passes to the customers. Customers obtain control of the goods when the goods are delivered to and have been accepted. Contracts generally contain no right of return, warranty and no variable consideration. ii) Revenue from the EPC contracts is recognised over time based on the progress towards complete satisfaction of the services, and therefore requires management judgement and estimates. The Group uses the input method to measure the revenue, and determines the contract completion progress by reference to the proportion of cost incurred to date to the estimated total cost of the relevant contract. Estimation of total contract cost involves significant accounting estimates and judgement, including the estimation of contingent expenses until completion. Revenue is also one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or subject to manipulation.	Our procedures in relation to a sample of revenue transactions arising from the sale of electrical distribution systems and related parts included: – understanding and testing the key controls over the recognition of sale of goods; – identifying performance obligation based on the contractual agreements; obtaining evidence regarding the transfer of control of the goods (including, where relevant, contractual agreements, invoices, delivery notes and acknowledgement of receipts); – testing revenue recognition by tracing the transactions from the general ledger to supporting documents, such as underlying invoices, contractual agreements, delivery notes and acknowledgement of receipts; and – inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with the relevant documents. Our procedures in relation to revenue transactions arising from the EPC contracts included: – understanding and testing the key controls over the recognition of revenue from the EPC contracts; – identifying performance obligation based on the contractual agreements; obtaining evidence regarding the transfer of control of the goods (including, where relevant, contractual agreements, invoices, delivery notes and acknowledgement of receipts); – discussing with management their processes for estimating the total contract cost; and comparing management's estimation with the actual cost to complete each contract; – inspecting on a sampling basis of EPC contracts during the current year to identify key clauses of accounting significance; assessing management's accounting treatment and comparing the agreed contract price to that used by the Group in the calculation of contract revenue; – reconciling the amount of contract costs incurred by reference to the stage of completion of contract activity stated in progress reports; and – reconciling the amount of revenue recognized based on the proportion of contract costs incurred.

RECOVERABILITY OF TRADE RECEIVABLES

Refer to note 22 to the consolidated financial statements and the accounting policies on page 70.

The Key Audit Matter	How the matter was addressed in our audit
The Group's trade receivables, loans to customers and retention money receivables hereinafter together referred to as "trade receivables". As at 31 December 2018, the carrying value of trade receivables was RMB740,417,000 (gross trade receivables: RMB2,646,058,000; allowance for impairment losses: RMB1,905,641,000), which represent approximately 66% of total current assets in the consolidated statement of financial position. The Group adopted HKFRS 9 Financial Instruments, effective from 1 January 2018. The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". The ECL model involves judgements as the expected credit losses reflects information about past events, current conditions and forecasts of future conditions, as well as the time value of money. We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of trade receivables and determining the allowance for impairment losses.	Our audit procedures to assess the recoverability of trade receivables included the following: – obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls relating to credit control, debt collection and making impairment allowances for impairment losses; – obtaining an understanding of the basis of management's judgements about the recoverability of individual balances and evaluating the impairment allowances with reference to debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances, historical and post year-end payment records, legal documents relating to disputes with customers, rescheduling of payment agreed with customers and other relevant information obtained from other audit procedures; – assessing the assumptions and estimates made by the management in development of the expected credit loss including considering the customers' expected payment pattern along with macroeconomic information; and – obtaining a summary of subsequent settlements relating to trade receivable balances at 31 December 2018 and inspecting underlying documents relating to the payments received, on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate No. P06095
Hong Kong, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Revenue	6	**628,235**	758,671
Cost of sales	6	**(427,695)**	(593,771)
Gross profit	6	**200,540**	164,900
Other income	7	**25,575**	36,556
Selling and distribution expenses		**(62,175)**	(59,905)
Administrative and other operating expenses		**(137,374)**	(113,802)
Loss of an associate		**(14)**	–
Change in financial assets at fair value through profit or loss		**(1,512)**	–
Impairment losses for trade and other receivables	22(b)	**(942,786)**	(230,000)
Loss from operations		**(917,746)**	(202,251)
Finance costs	8(a)	**(49,182)**	(53,716)
Loss before taxation	8	**(966,928)**	(255,967)
Income tax (expense)/credit	9(a)	**(30,951)**	32,478
Loss for the year		**(997,879)**	(223,489)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(1,041)**	49,574
Other comprehensive income for the year		**(1,041)**	49,574
Total comprehensive income for the year		**(998,920)**	(173,915)
Loss attributable to:			
Equity shareholders of the Company		**(958,429)**	(220,974)
Non-controlling interests		**(39,450)**	(2,515)
Loss for the year		**(997,879)**	(223,489)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(959,470)**	(171,400)
Non-controlling interests		**(39,450)**	(2,515)
Total comprehensive income for the year		**(998,920)**	(173,915)
Loss per share (RMB)			
Basic	12	**(1.28)**	(0.29)
Diluted		**(1.28)**	(0.29)

The notes on pages 53 to 128 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	13	**305,627**	331,957
Investment properties	14	**120,575**	147,843
Intangible assets	16	**2,814**	3,905
Lease prepayments	17	**32,433**	33,806
Interest in an associate	21	**546**	–
Financial assets at fair value through profit or loss	19	**9,094**	–
Available-for-sale investments	19	**–**	10,348
Construction in progress	15	**1,795**	–
Deferred tax assets	30(b)	**205,925**	199,852
		678,809	727,711
Current assets			
Inventories	20	**105,385**	100,700
Trade and other receivables	22	**943,559**	2,093,637
Current tax asset	30(a)	**3,137**	8,111
Pledged deposits	24(a)	**32,956**	336,173
Contract costs	23	**20,666**	–
Cash and cash equivalents	24(a)	**9,734**	15,655
		1,115,437	2,554,276
Current liabilities			
Borrowings	25	**638,893**	963,756
Trade and other payables	26	**400,706**	523,795
Amounts due to related parties	37(a)	**–**	431,422
Obligations under finance leases	27	**27,578**	6,702
Current tax liabilities	30(a)	**30,740**	16,507
		1,097,917	1,942,182
Net current assets		**17,520**	612,094
Total assets less current liabilities		**696,329**	1,339,805
Non-current liabilities			
Borrowings	25	**56,000**	63,000
Amounts due to related parties	37(a)	**384,266**	–
Obligations under finance leases	27	**65,569**	86,930
Deferred tax liabilities	30(b)	**1,408**	1,629
		507,243	151,559
NET ASSETS		**189,086**	1,188,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
CAPITAL AND RESERVES			
Share capital	31(c)	**66,010**	66,010
Reserves	31(d)	**172,542**	1,131,857
Total equity attributable to equity shareholders of the Company		**238,552**	1,197,867
Non-controlling interests		**(49,466)**	(9,621)
TOTAL EQUITY		**189,086**	1,188,246

Approved and authorised for issue by the Board of Directors on 26 March 2019.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 53 to 128 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018
(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
Loss for the year		–	–	–	–	–	–	–	–	(220,974)	(220,974)	(2,515)	(223,489)
Other comprehensive income		–	–	–	–	–	–	–	49,574	–	49,574	–	49,574
Total comprehensive income for the year		–	–	–	–	–	–	–	49,574	(220,974)	(171,400)	(2,515)	(173,915)
Capital injection into subsidiaries		–	–	–	–	–	–	–	–	–	–	13,421	13,421
Appropriation to statutory reserve		–	–	–	–	1,990	–	–	–	(1,990)	–	–	–
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 HKFRS9	2	–	–	–	–	–	–	–	–	155	155	103	258
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 year		–	–	–	–	–	–	–	–	(958,429)	(958,429)	(39,450)	(997,879)
Other comprehensive income		–	–	–	–	–	–	–	(1,041)	–	(1,041)	–	(1,041)
Total comprehensive income for the year		–	–	–	–	–	–	–	(1,041)	(958,429)	(959,470)	(39,450)	(998,920)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(498)	(498)
Appropriation to statutory reserve		–	–	–	–	3,195	–	–	–	(3,195)	–	–	–
Balance at 31 December 2018		66,010	(100,121)	20,710	1,505	255,532	21,436	372	(40,900)	14,008	238,552	(49,466)	189,086

The notes on pages 53 to 128 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from operations	24(b)	**170,318**	46,498
Income tax paid		**(18,149)**	(3,188)
Net cash generated from operating activities		**152,169**	43,310
Investing activities			
Payment for purchase of property, plant and equipment		**(6,926)**	(4,663)
Payment for construction in progress		**(1,795)**	(43,637)
Payment for purchase of intangible assets		**–**	(171)
Lease prepayments		**–**	(1,520)
Proceeds from sales of property, plant and equipment		**546**	–
Payment for investment in an associate		**(560)**	–
Interest received		**8,725**	3,069
Maturity of time deposits with original maturity over three months		**–**	3,000
Placement of pledged deposits		**(40,971)**	(364,703)
Withdrawal of pledged deposits		**344,188**	443,798
Acquisition of non-controlling interests		**(498)**	–
Net cash generated from investing activities		**302,709**	35,173
Financing activities			
Proceeds from borrowings	24(c)	**629,073**	1,060,669
Repayment of bank loans	24(c)	**(960,936)**	(1,206,506)
Proceeds from a finance lease	24(c)	**–**	42,735
Capital element of finance lease rentals paid	24(c)	**(485)**	(385)
Proceeds from minority shareholders		**–**	13,421
Advance from related parties	24(c)	**753,894**	871,849
Repayment of advance from related parties	24(c)	**(833,000)**	(820,051)
Interest element of finance lease rentals paid	24(c)	**(6,101)**	(4,195)
Payment for interest on borrowings		**(43,081)**	(48,196)
Net cash used in financing activities		**(460,636)**	(90,659)
Net decrease in cash and cash equivalents		**(5,758)**	(12,176)
Cash and cash equivalents at 1 January	24(a)	**15,655**	27,836
Effect of foreign exchange rate changes		**(163)**	(5)
Cash and cash equivalents at 31 December	24(a)	**9,734**	15,655

The notes on pages 53 to 128 form part of these financial statements.

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").

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs – effective 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group's financial statements.

A. *HKFRS 9-Financial Instruments*

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits	
Retained profits as at 31 December 2017	975,477
Reclassify unlisted equity investment from available-for-sale investments to financial asset at fair value through profit or loss ("FVTPL")	155
Restated retained profits as at 1 January 2018	**975,632**
Non-controlling interests	
Non-controlling interests as at 31 December 2017	(9,621)
Reclassify unlisted equity investment from available-for-sale investments to financial asset at FVTPL	103
Restated non-controlling interests as at 1 January 2018	**(9,518)**

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

A. HKFRS 9-Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

A. HKFRS 9-Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

A. HKFRS 9-Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

As of 1 January 2018, certain unlisted equity investments were reclassified from available-for-sale investments at cost to financial assets at FVTPL. These unlisted equity instruments have no quoted price in an active market. The Group has designated such unlisted equity investments at the date of initial application as measured at FVTPL. The fair value of unlisted equity investment is determined by discounting the expected cash flows using weighted average cost of capital. The fair value measurement is negatively correlated to the weighted average cost of capital.

Bills receivables were reclassified from loans and receivables at amortised cost to FVOCI, as the Group's business model is achieved by both collecting cash flows and endorsing the bills receivables to suppliers, and the contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. Accordingly, bills receivables will be subsequently measured at FVOCI upon the application of HKFRS 9, with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition. The directors of the Company consider the fair value of bills receivables approximates to their carrying amounts (i.e. face value of bank acceptance bills), as the Group in general endorses the bank acceptance bills equivalent to their face value.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Unlisted equity investments	Available-for-sale investments (at cost)	FVTPL	10,348	10,606
Trade receivables	Loans and receivables	Amortised cost	1,872,222	1,872,222
Bills receivables	Loans and receivables	FVOCI	43,830	43,830
Other receivables	Loans and receivables	Amortised cost	177,585	177,585
Pledged bank deposits	Loans and receivables	Amortised cost	336,173	336,173
Cash and cash equivalents	Loans and receivables	Amortised cost	15,655	15,655

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

A. HKFRS 9-Financial Instruments (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and bills receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (including other receivables, pledged bank deposits and cash and cash equivalents), the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

A. *HKFRS 9-Financial Instruments (continued)*

(ii) Impairment of financial assets (continued)

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

The Group will directly reduce the carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write off constitutes a derecognition event.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

a) Impairment of trade and bills receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade and bills receivables. To measure the ECLs, trade and bills receivables, have been grouped based on shared credit risk characteristics and the invoice date.

The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and bills receivables as at 1 January 2018.

b) Impairment of other financial assets

Other financial assets at amortised cost of the Group include other receivables and bank deposits. Applying the ECL model has not resulted in any impairment loss for other financial assets as at 1 January 2018 and 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments, if any, arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

(Expressed in Renminbi unless otherwise indicated)

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15"), including amendments

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations.

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(i)	Sale of electrical distribution systems and related parts	Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time when the customers accepted the products.	HKFRS 15 did not result in significant impact on the Group's accounting policies.
(ii)	Engineering, Procurement and Construction ("EPC")	Revenue from EPC services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred by the Group to date relative to the total budgeted cost for the project. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15.	HKFRS 15 did not result in significant impact on the Group's accounting policies.
(iii)	Sale of electricity	Sale of electricity is recognised upon the transmission of electric power to the power-grid companies. Revenue from sales of electricity is recognised at a point in time in accordance with meter readings.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

(Expressed in Renminbi unless otherwise indicated)

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15:

1. Contract assets in relation to the Group's rights to consideration from customers construction work completed but not billed at the reporting date on EPC contracts were previously presented as amounts due from customers for contract work; and

2. Contract liabilities in relation to the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer were previously presented as receipts in advance included in other payable and accruals.

There was no contract assets and contract liabilities as at 1 January 2018, thus no adjustment was made in the opening consolidated statement of financial position on 1 January 2018.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

Except as disclosed below, new standard and amendments to existing standard and interpretations are effective for annual period beginning on or after 1 January 2019 and have not been applied in preparing these financial statements. None of these is expected to have significant effect in the consolidated financial statements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases "and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has noncancellable operating lease commitments of RMB2,395,000 as disclosed in note 35(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

The Group has already commenced an assessment of the impact of adopting HKFRS 16 but the Group is not yet in a position to state whether this new pronouncement will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

During the year ended 31 December 2018, the Group recorded a loss of RMB997,879,000 (2017: loss of RMB223,489,000). In addition, the Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only which are indications that the Group may not be able to repay its debts when they fall due. 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 and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors of the Company 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 the Group's liquidity needs and to improve its financial position which include, but are not limited to, the following:

(i) the controlling shareholders, Mr Qian Yixiang and Ms Jia Lingxia, have undertaken to provide continuing financial support, including not to recall the amounts due to them of RMB384,266,000 until the Group is able to repay its other creditors in the normal course of business;

(ii) the Group has entered into several loan facility agreements with the controlling shareholders and their related parties in 2018 for general working capital purposes. The loans are non-current, unsecured and non-interest bearing. As at 31 December 2018, the Group's unused loans facilities were RMB761,824,000;

(iii) as at 31 December 2018, the unused bank loans facilities were RMB63,120,000 for providing additional working capital to the Group;

(iv) the Group will continue to follow up settlement from its debtors and expects to generate positive operating cash flows from the recovery of trade receivables for the year ending 31 December 2019;

(v) the directors of the Company had prepared a profit and cash flow forecasts for the year ending 31 December 2019. Based on the forecasts, the Group's operations are expected to generate positive operating cash flows during that period; and

(vi) since the year end date and up to date of this report, the Group has renewed its short term bank borrowings of RMB100,000,000 up to 21 January 2020. The directors of the Company, based on their ongoing discussions with the Group's bankers, expect the Group's bankers to renew the existing bank facilities as they fall due.

3. BASIS OF PREPARATION (continued)

(b) Basis of measurement and going concern assumption (continued)

Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements 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 the adjustments has not been reflected in the consolidated financial statements.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). These consolidated financial statements are presented in Renminbi ("RMB") because the functional currency of most of the Group's subsidiaries is RMB. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") and a trust established for the Group's share award scheme. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

Plant and machinery	5–20 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

Plant and machinery under finance lease are depreciated over its useful life being no more than 20 years.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 4(u)). Depreciation is calculated to write-off the cost of investment properties, less their residual values, if any, using the straight-line method over their estimated useful lives of 20 years. Both the useful life and residual value, if any, are reviewed annually.

(f) Payments for leasehold land held for own use under operating leases

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 4(u)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(j) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	10 years
Trademarks	10 years

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (other than goodwill) (continued)

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(u)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(k)A Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)A Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(i) *Financial assets (continued)*

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)A Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and bills receivables measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The Group will directly reduce the carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. A write off constitutes a derecognition event.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)A Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)A Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4(k)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)B Financial Instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at FVTPL

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

The carrying amount of financial assets is reduced through the use of allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant asset.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For Loans and receivables or Held-to-maturity investments

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

(iii) Financial liabilities

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Construction contracts (accounting policies applied until 31 December 2017)

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Contract costs

Contract costs are the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The incremental cost of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 4(k)A(ii).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p)A Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) *Sale of electrical distribution systems and related parts*

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time upon when the customers accepted the products. There is generally only one performance obligation. Contracts generally contain no right of return, warranty and no variable consideration.

(ii) *EPC contracts*

Revenue from EPC contracts is recognized over time based on the progress towards complete satisfaction of the services as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The progress of completion is measured by reference to the proportion of the actual cost incurred to date to the estimated total cost of the relevant contract. There is generally one performance obligation.

(iii) *Sales of electricity*

Revenue is recognised at a point in time upon the transmission of electric power to the power grid companies in accordance with meter readings.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p)A Revenue recognition (accounting policies applied from 1 January 2018) (continued)

(iv) Other income

(a) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(b) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(c) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(p)B Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. For goods that do not require acceptance testing, revenue is recognised when they are delivered to the customers' premises. For goods that require acceptance testing, revenue is recognised when customers confirmed acceptance of the goods. Revenue excludes value added tax and is after deduction of any trade discounts.

Deposits and instalments received prior to the date of revenue recognition are included in the statement of financial position under receipts in advance under trade and other payables.

(ii) Investment income/Dividends

Investment income is recognised when the entitlement of the income is ascertained by the relevant banks, financial institutions or asset management firms.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p)B Revenue recognition (accounting policies applied until 31 December 2017) (continued)

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(iv) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(vi) *Contract revenue*

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method;
- measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract;
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred; and
- during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(r) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Foreign currency (continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(t) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payments (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(u) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

Property, plant and equipment/Investment property under cost model;

interests in leasehold land held for own use under operating leases; and

investments in subsidiaries, associates and joint ventures.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

(b) Estimated useful lives and impairment of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(c) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(c) Fair value measurement (continued)

The Group measures the following item at fair value:

- Financial assets at FVTPL (note 19).

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

(d) ECL impairment

The measurement of impairment losses under both HKFRS 9 and HKAS 39 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

(e) Revenue recognition of EPC contracts

As explained in note 4 (p)A(ii), revenue recognition on an uncompleted project is dependent on the progress towards complete satisfaction of the services, as well as the work done to date. The progress of completion is measured by reference to the proportion of the actual cost incurred to date to the estimated total cost of the relevant contract. As a result, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(f) Going concern assumption

As explained in note 3(b) contain information about the consolidated financial statements have been prepared on a going concern basis even though as of 31 December 2018 the Group recorded a loss of RMB997,879,000 (2017: loss of RMB223,489,000). In addition, the Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only.

In view of such circumstances, the Directors of the Company 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 as stated in note 3(b) have been and are being taken to manage the Group's liquidity needs and to improve its financial position.

Should the Group be able to continue as a going concern, adjustment would have to be made to restate the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these potential adjustments has not been reflected in the consolidated financial statements.

6 REVENUE AND SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding deferred tax assets and tax recoverable are managed on a group basis. Segment liabilities excluding deferred tax liabilities and tax payable are managed on a group basis.

The Group has four (2017: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Electrical Distribution System Solutions ("EDS Solutions"), which include product line series of electrical distribution system lies between grid and end users to distribute electricity at converted voltage for end users;

  Revenue from the EDS Solutions segment represents sale of traditional electrical distribution systems.

– Intelligent Electrical Distribution System Solutions ("iEDS Solutions"), which include product line series of Intelligent Power Grid Solutions and Intelligent Power Distribution Integrated Solutions;

  Revenue from the iEDS Solutions segment represents sale of high-end electrical distribution systems.

– Energy Efficiency Solutions ("EE Solutions"), which include product line series of Managed and Enhanced EE Solutions and Equipment-enhanced EE Solutions, and provision of engineering, procurement, construction services of photovoltaic power plant, and sales of electricity generated from self-owned photovoltaic power plants; and

  Revenue from the EE Solutions segment arises from the EPC contracts and sale of electricity.

– Components and Spare Parts Business ("CSP Business"), which include components and spare parts for application on electrical distribution equipment and basic function units of EDS Solutions and iEDS Solutions.

  Revenue from CSP Business represents sale of related parts for electrical distribution systems.

6 REVENUE AND SEGMENT REPORTING (continued)

Information is presented 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.

	EDS Solutions RMB'000	iEDS Solutions RMB'000	EE Solutions RMB'000	CSP Business RMB'000	Total RMB'000
Year ended 31 December 2018					
Revenue					
Sale of electrical distribution systems and related parts	765	297,520	–	192,767	491,052
EPC	–	–	93,455	–	93,455
Sale of electricity	–	–	43,728	–	43,728
Total	765	297,520	137,183	192,767	628,235
Timing of revenue recognition					
At a point in time	765	297,520	43,728	192,767	534,780
Over time	–	–	93,455	–	93,455
Total	765	297,520	137,183	192,767	628,235
Cost of sales	(595)	(209,902)	(60,212)	(156,986)	(427,695)
Gross profit	170	87,618	76,971	35,781	200,540
Depreciation and amortisation included in cost of sales	10	2,457	7,549	8,504	18,520

6 REVENUE AND SEGMENT REPORTING (continued)

	EDS Solutions RMB'000	iEDS Solutions RMB'000	EE Solutions RMB'000	CSP Business RMB'000	Total RMB'000
Year ended 31 December 2017					
Revenue					
Sale of electrical distribution systems and related parts	925	317,464	–	186,325	504,714
EPC	–	–	204,794	–	204,794
Sale of electricity	–	–	49,163	–	49,163
Total	925	317,464	253,957	186,325	758,671
Timing of revenue recognition					
At a point in time	925	317,464	49,163	186,325	553,877
Over time	–	–	204,794	–	204,794
Total	925	317,464	253,957	186,325	758,671
Cost of sales	(809)	(246,290)	(195,912)	(150,760)	(593,771)
Gross profit	116	71,174	58,045	35,565	164,900
Depreciation and amortisation included in cost of sales	36	4,176	7,987	8,885	21,084

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

	2018 RMB'000	2017 RMB'000
Cost of sales	**18,520**	21,084
Administrative expenses	**18,422**	16,081
	36,942	37,165

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as these assets are managed on a group basis and the chief operating decision maker does not use such 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.

7 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income from financial institutions	**6,884**	4,039
Other interest income	**1,841**	1,020
Refund of value added taxes ("VAT")	**3,233**	2,249
Government grants*	**9,817**	22,246
Rental income from investment properties	**–**	571
Others	**3,800**	6,431
	25,575	36,556

* 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.

8 LOSS BEFORE TAXATION

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

		2018 RMB'000	2017 RMB'000
(a)	Finance costs:		
	Interest on borrowings	**43,081**	49,521
	Finance charges on obligation under finance leases (note 24(c))	**6,101**	4,195
		49,182	53,716
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**7,382**	9,836
	Salaries, wages and other benefits	**72,941**	109,835
		80,323	119,671
(c)	Other items:		
	Amortisation of intangible assets	**797**	702
	Amortisation of lease prepayments	**1,373**	1,822
	Depreciation	**34,772**	34,641
	Auditors' remuneration	**2,500**	2,489
	Impairment losses for trade receivables (note 22(b))	**942,786**	230,000
	Operating lease charges in respect of properties:		
	minimum lease payments	**2,142**	6,021
	Change in financial assets at FVTPL	**1,512**	–
	Net loss on disposal of property, plant and equipment	**5,366**	1,139
	Net gain on disposal of investment properties	**(5,639)**	–
	Net foreign exchange loss/(gain)	**13,886**	(1,352)
	Impairment loss for investment properties	**4,236**	–
	Written off of intangible assets	**308**	–
	Cost of inventories (note 20(b))#	**382,599**	558,091

\# Cost of inventories includes RMB49,782,000 (2017: RMB51,519,000) 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 8(b) and (c) for each of these types of expenses.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	2018 RMB'000	2017 RMB'000
Current tax		
Provision for PRC income tax for the year	**33,877**	7,332
Underprovision in respect of prior year	**3,368**	938
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**41**	(366)
Origination and reversal of temporary differences	**(6,335)**	(40,382)
	30,951	(32,478)

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Loss before taxation	**(966,928)**	(255,967)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	**(241,732)**	(62,976)
Tax effect of PRC preferential tax treatments (note (iii))	**138,282**	20,266
Tax effect of non-deductible expenses	**124,817**	3,387
Tax effect of unused tax losses not recognised (note 30(d))	**6,175**	6,555
Tax effect of additional deduction on research and development expenses and cost of disabled employees	**–**	(282)
Under-provision of tax expenses for prior year	**3,368**	938
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**41**	(366)
Income tax expense/(credit)	**30,951**	(32,478)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "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 and Spain 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 and Spanish Corporate Taxes during each of the years ended 31 December 2018 and 2017.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

(b) Reconciliation between tax credit and accounting loss at applicable tax rates: (continued)

Notes: (continued)

(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 is therefore entitled to a preferential tax rate of 15%.

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

10 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2018				
Executive Directors				
Mr. Qian Yixiang	–	–	28	28
Ms. Jia Lingxia	–	–	28	28
Mr. Zha Saibin	–	–	25	25
Mr. Qian Zhongming	–	–	–	–
Non-executive Director				
Mr. Zhang Huaqiao	–	–	–	–
Independent Non-executive Directors				
Mr. Yeung Chi Tat	305	–	–	305
Mr. Tang Jianrong	203	–	–	203
Mr. Qu Weimin	152	–	–	152
Total	660	–	81	741

10 DIRECTORS' EMOLUMENTS (continued)

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2017				
Executive Directors				
Mr. Qian Yixiang	–	–	6	6
Ms. Jia Lingxia	–	–	6	6
Mr. Zha Saibin	–	–	6	6
Mr. Qian Zhongming	–	10	–	10
Non-executive Director				
Mr. Zhang Huaqiao	–	–	–	–
Independent Non-executive Directors				
Mr. Yeung Chi Tat	311	–	–	311
Mr. Tang Jianrong	207	–	–	207
Mr. Qu Weimin	156	–	–	156
Total	674	10	18	702

During both years, no amount was paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, five directors waived or agreed to waive their emoluments as follows:

	Period during which the emoluments accrued	**Fees** RMB'000	**Basic salaries, allowances and other benefits** RMB'000	**Total emoluments waived by The directors** RMB'000
Executive Directors				
Mr. Qian Yixiang	1 January 2018 to 31 December 2018	–	1,015	1,015
Ms. Jia Lingxia	1 January 2018 to 31 December 2018	–	812	812
Mr. Zha Saibin	1 January 2018 to 31 December 2018	–	812	812
Mr. Qian Zhongming	1 January 2018 to 31 December 2018	–	812	812
Non-executive Director				
Mr. Zhang Huaqiao	1 January 2018 to 31 December 2018	558	–	558
Total		558	3,451	4,009

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) is a director whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining four (2017: four) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**4,486**	4,200
Contributions to retirement benefit schemes	**244**	215
	4,730	4,415

The emoluments of the four (2017: four) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	4	4

During both years, no amount was paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any emolument during the year (2017: Nil).

12 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB958,429,000 (2017: loss attributable to equity shareholders of the Company of RMB220,974,000) and the weighted average of 749,426,000 ordinary shares (2017: 749,426,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018 **'000**	2017 '000
Issued ordinary shares at 1 January	**773,769**	773,769
Effect of shares held for share award scheme (note 29)	**(24,343)**	(24,343)
Weighted average number of ordinary shares at 31 December	**749,426**	749,426

(b) Diluted loss per share

There were no dilutive potential ordinary shares during each of the year ended 31 December 2018 and 2017, and therefore, diluted loss per share is the same as the basic loss per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2017	200,464	155,705	9,589	20,314	386,072
Additions	173	4,801	79	494	5,547
Transfer from construction in progress (note 15)	20,943	72,204	–	–	93,147
Disposals	(3,602)	(660)	(342)	(166)	(4,770)
Exchange adjustments	601	–	–	15	616
At 31 December 2017	218,579	232,050	9,326	20,657	480,612
At 1 January 2018	**218,579**	**232,050**	**9,326**	**20,657**	**480,612**
Additions	**373**	**4,614**	**519**	**1,420**	**6,926**
Disposals	**–**	**(7,802)**	**(1,951)**	**(209)**	**(9,962)**
Exchange adjustments	**19**	**–**	**–**	**69**	**88**
At 31 December 2018	**218,971**	**228,862**	**7,894**	**21,937**	**477,664**
Accumulated depreciation:					
At 1 January 2017	57,174	46,743	7,568	13,275	124,760
Charge for the year	11,470	12,675	812	2,405	27,362
Written back on disposals	(2,527)	(629)	(280)	(56)	(3,492)
Exchange adjustments	11	–	–	14	25
At 31 December 2017	66,128	58,789	8,100	15,638	148,655
At 1 January 2018	**66,128**	**58,789**	**8,100**	**15,638**	**148,655**
Charge for the year	**12,028**	**12,963**	**527**	**1,975**	**27,493**
Written back on disposals	**–**	**(2,140)**	**(1,872)**	**(38)**	**(4,050)**
Exchange adjustments	**(72)**	**–**	**–**	**11**	**(61)**
At 31 December 2018	**78,084**	**69,612**	**6,755**	**17,586**	**172,037**
Net book value:					
At 31 December 2018	**140,887**	**159,250**	**1.139**	**4,351**	**305,627**
At 31 December 2017	152,451	173,261	1,226	5,019	331,957

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Buildings are situated on leasehold land with medium-term lease of 50 years in the PRC.

(b) As at 31 December 2018, certain building with carrying amount of RMB91,734,000 (2017: RMB110,583,000) have been pledged to bank as security for bank loan (see note 25 (c)).

(c) As at 31 December 2018, the group was in the process of obtaining the property ownership certification in respect of certain properties located in the PRC with net book value of RMB19,110,000 (2017: RMB37,605,000).

(d) The Group sold and leased back plant and equipment under finance leases expiring from six to ten years. At the end of lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. During the year, no additions to plant and equipment financed by a new finance lease (2017: RMB43,678,000). No gain or loss arose from these sale and lease back transactions. No contingent rentals is included in these finance leases.

At the end of the reporting period, the net book value of plant and equipment held under these finance leases was RMB94,919,000 (31 December 2017: RMB101,996,000).

14 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**157,654**	148,554
Additions	**–**	9,100
Disposals	**(17,234)**	–
At 31 December	**140,420**	157,654
Accumulated depreciation and impairment:		
At 1 January	**9,811**	2,532
Impairment	**4,236**	–
Charge for the year	**7,279**	7,279
Written back on disposals	**(1,481)**	–
At 31 December	**19,845**	9,811
Net book value:		
At 31 December	**120,575**	147,843

14 INVESTMENT PROPERTIES (continued)

(a) As at 31 December 2018, the Group was in the process of obtaining the property ownership certificate in respect of investment properties located in the PRC with net book value of RMB120,575,000 (2017: RMB127,837,000).

(b) Investment properties are stated at cost less accumulated depreciation and impairment loss. Impairment loss of RMB4,236,000 (2017: RMB Nil) was charged to the statement of profit and loss and other comprehensive income.

(c) The Group's investment properties consist of residential, commercial and industrial properties situated in the PRC. The fair value of the investment properties was RMB150,847,000 (2017: RMB147,843,000) as at 31 December 2018, which is determined by reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and locations of the related properties.

15 CONSTRUCTION IN PROGRESS

	2018 RMB'000	2017 RMB'000
At 1 January	–	21,448
Additions	1,795	71,699
Transfer to property, plant and equipment (note 13)	–	(93,147)
At 31 December	1,795	–

Construction in progress represented construction cost incurred for plants under construction of the Group.

16 INTANGIBLE ASSETS

	Software RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2017	1,209	5,584	6,793
Additions	171	–	171
Exchange adjustments	–	176	176
At 31 December 2017	1,380	5,760	7,140
At 1 January 2018	**1,380**	**5,760**	**7,140**
Written off	**–**	**(308)**	**(308)**
Exchange adjustments	**–**	**14**	**14**
At 31 December 2018	**1,380**	**5,466**	**6,846**
Accumulated amortisation:			
At 1 January 2017	521	2,012	2,533
Charge for the year	100	602	702
At 31 December 2017	621	2,614	3,235
At 1 January 2018	**621**	**2,614**	**3,235**
Charge for the year	**127**	**670**	**797**
At 31 December 2018	**748**	**3,284**	**4,032**
Net book value:			
At 31 December 2018	**632**	**2,182**	**2,814**
At 31 December 2017	759	3,146	3,905

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

17 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**42,161**	40,641
Additions	**–**	1,520
At 31 December	**42,161**	42,161
Accumulated amortisation:		
At 1 January	**8,355**	6,533
Charge for the year	**1,373**	1,822
At 31 December	**9,728**	8,355
Net book value:		
At 31 December	**32,433**	33,806

The Group's land is located in the PRC. The Group is granted with land use rights for a period of 50 years. As at 31 December 2018, the land use rights with carrying value of RMB30,895,000 (31 December 2017: RMB31,634,000) have been pledged to a bank as security for bank loans (see note 25(c)).

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENT IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid-up capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Cheer Success Holdings Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
Power Investment (H.K.) Limited	Hong Kong	100,000 shares or HK$100,000	–	100%	Investment holding
Boer Energy Jiangsu Co., Ltd.* (“博耳能源江蘇有限公司” or “Boer Energy”) (note (ii))	PRC	RMB43,350,000	–	60%	Provision of energy efficiency solutions
Boer Wuxi (note (i))	PRC	US$71,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Boer (Yixing) Power System Co., Ltd.* (“博耳(宜興)電力成套有限公司” or “Boer Yixing”) (note (i))	PRC	US$16,250,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Yixing Boai Automation Complete Sets of Equipment Co., Ltd. * (“宜興博艾自動化成套設備有限公司”or “Yixing Boai”) (note (i))	PRC	RMB110,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Wuxi Boer Photovoltaic Technology Co., Ltd.* (“無錫博耳光伏科技有限公司”) (note (ii))	PRC	RMB4,000,000	–	60%	Development, manufacture and sale of photovoltaic products
Boer Cloud Technology Company Limited.* (“博耳雲科技有限公司” or “Boer Cloud”)(note (ii))	PRC	HK$5,983,725	–	100%	Provision of energy efficiency solutions
Boer Wuxi Tezhong Electrical Capacitor Co., Ltd.* (“博耳無錫特種電力電容器有限公司”) (note (ii))	PRC	RMB60,000,000	–	100%	Design, manufacture and sale of capacitors

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid-up capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Boer Electric Sales (China)Co., Ltd.* (“博耳電氣銷售(中國)有限公司”) (note (i))	PRC	US$8,000,000	–	100%	Trading of electrical distribution equipment
Sydenham (Wuxi) Switch Co., Ltd.* (“賽德翰(無錫)開關有限公司”)(note (i))	PRC	US$8,000,000	–	100%	Manufacture and sale of components and spare parts
Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd.* (“上海電科博耳電器開關有限公司” or “Shanghai Boer”) (note (ii))	PRC	RMB35,000,000	–	100%	Manufacture and sale of components and spare parts
Temper Energy International, Sociedad Limitada	Spain	1,317,235 shares of EUR3.1 each	–	100%	Trading of components and spare parts
Boer (Wuxi) Software Technology Limited* (“博耳(無錫)軟件科技有限公司” or “Boer Software”) (note (i))	PRC	HK$50,000,000	–	100%	Development and sale of software

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC with limited liability.

(ii) These entities are limited companies established in the PRC.

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

19 OTHER FINANCIAL ASSETS (NON-CURRENT)

	2018 RMB'000	2017 RMB'000
Available-for-sale investments	–	10,348
Financial assets at FVTPL	9,094	–
	9,094	10,348

As at 1 January 2018, under new measurement category of HKFRS 9, available-for-sale investments were reclassified from available-for-sale investments at cost to financial assets at FVTPL.

Financial assets at FVTPL represent unlisted equity investments (see note 32(e)).

20 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 RMB'000	2017 RMB'000
Raw materials	50,669	50,108
Work in progress	20,275	13,596
Finished goods	34,441	36,996
	105,385	100,700

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	383,635	558,091
Write down of inventories	(1,036)	–
	382,599	558,091

21 INTEREST IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets other than goodwill	**546**	–

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
Wuxi Sacred Smart Energy Company Limited* 無錫聖陽智慧能源有限公司	PRC Provision of engineering, procurement and construction services	35%

This associate is newly acquired in 2018. Its primary activities are provision of engineering, procurement, construction services of photovoltaic power plant, and sales of electricity generated from self-owned photovoltaic power plants. This is in alignment with the Group's energy efficiency solutions.

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Wuxi Sacred Smart Energy Company Limited

	2018 RMB'000	2017 RMB'000
At 31 December		
Current assets	**3**	–
Non-current assets	**1,557**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Net Assets	**1,560**	–
Year ended 31 December		
Revenue	**54**	–
Loss from operations	**(40)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(40)**	–
Dividend received from the associate	**Nil**	–
The Group's interest in the associate		
The Group's effective interest	**35%**	–
The Group's share of loss from operations of the associate	**(14)**	–
Cost in investment in associate	**560**	–
Carrying amount in the consolidated financial statements	**546**	–

22 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	2,368,130	2,322,390
Loans to customers	170,928	345,290
Retention money receivables	107,000	176,873
Trade receivables (gross)	2,646,058	2,844,553
Less: allowance for impairment losses	(1,905,641)	(972,331)
Trade receivables (net)	740,417	1,872,222
Bills receivables	2,594	43,830
Trade and bills receivables	743,011	1,916,052
Amount due from a related party	–	13,340
Prepayments, deposits and other receivables	200,548	164,245
Other receivables	200,548	177,585
Trade and other receivables	943,559	2,093,637

Loans to customers represent the outstanding balance which the Group made settlement to the banks on behalf of its customers under the factoring arrangements. Retention money receivables represent 5-10% (2017: same) of the relevant contract sum held by customers, with retention period of generally one year after the completion of contract. Retention money receivables are settled in accordance with the terms of the respective contracts.

Bills receivables represent bank acceptance bills in the PRC which are measured at FVOCI (see note 32(e)).

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of allowance for impairment losses, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	233,053	281,783
Over 3 months but within 6 months	85,620	32,985
Over 6 months but within 1 year	137,648	147,636
Over 1 year	284,096	1,409,818
At 31 December	740,417	1,872,222

The Group generally grants a credit period of 30 days to its customers.

22 TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Details of impairment assessment of trade receivables are set out in note 32(a).

The movements in the impairment allowance are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
At 1 January	**972,331**	742,748
Impairment losses recognised	**942,786**	230,000
Uncollectible amounts written off	**(9,476)**	(373)
Exchange adjustments	**–**	(44)
At 31 December	**1,905,641**	972,331

23 CONTRACT COST

The contract cost as at 31 December 2018 represents the incremental cost that the Group incurred to obtain an EPC contract with a customer. Such cost is recognized as a current asset as the Group expects to recover such cost when the related revenue is recognised within twelve months after the reporting date.

	2018 RMB'000	2017 RMB'000
EPC contract	**20,666**	–

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents are cash at bank and in hand.

	2018 RMB'000	2017 RMB'000
Cash and bank balances*	**42,690**	351,828
Less: Pledged deposits**	**(32,956)**	(336,173)
Cash and cash equivalents	**9,734**	15,655

* As 31 December 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB41,014,000 (2017: RMB347,435,000). Remittance of the RMB funds out of the PRC is subject to the restrictions under the Foreign Exchange Control Regulations of the PRC.

** Bank deposits have been pledged to banks for bank acceptance bills issued to suppliers and quality guarantee issued to customers. Certain bank deposits were pledged for bank loans in 2017 (2018: Nil, see note 25 (c)). These deposits will be released upon relative due dates.

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	2018 RMB'000	2017 RMB'000
Loss before taxation		**(966,928)**	(255,967)
Adjustments for:			
– Change in financial assets at FVTPL	8(c)	**1,512**	–
– Amortisation of intangible assets	8(c)	**797**	702
– Amortisation of lease prepayments	8(c)	**1,373**	1,822
– Depreciation	8(c)	**34,772**	34,641
– Finance costs	8(a)	**49,182**	53,716
– Impairment loss on investment properties	8(c)	**4,236**	–
– Interest income from financial institutions	7	**(6,884)**	(4,039)
– Other interest income	7	**(1,841)**	(1,020)
– Net loss on disposal of property, plant and equipment	8(c)	**5,366**	1,139
– Net gain on disposal of investment properties	8(c)	**(5,639)**	–
– Impairment losses for trade receivables	8(c)	**942,786**	230,000
– Written off of intangible assets	8(c)	**308**	–
– Net foreign exchange loss/(gain)	8(c)	**13,886**	(1,352)
– Loss of an associate		**14**	–
Changes in working capital:			
– (Increase)/decrease in inventories		**(4,685)**	31,408
– Decrease in trade and other receivables		**229,289**	428,390
– Decrease in trade and other payables		**(106,560)**	(472,942)
– Payment for acquisition of contract costs		**(20,666)**	–
Cash generated from operations		**170,318**	46,498

24 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings RMB'000 (note 25)	Obligations under finance leases RMB'000 (note 27)	Amount due to related parties RMB'000	Total RMB'000
At 1 January 2018	1,026,756	93,632	431,422	1,551,810
Changes from financing cash flows:				
Proceeds from borrowings	629,073	–	–	629,073
Repayment of bank loans	(960,936)	–	–	(960,936)
Capital element of finance lease	–	(485)	–	(485)
Interest element of finance lease rentals paid	–	(6,101)	–	(6,101)
Advance from related parties	–	–	753,894	753,894
Repayment of advance from related parties	–	–	(833,000)	(833,000)
Total changes from financing cash flows	(331,863)	(6,586)	(79,106)	(417,555)
Exchange adjustments:	–	–	14,927	14,927
Other changes				
Finance charges on obligation under finance leases (note 8(a))	–	6,101	–	6,101
Increase in other receivable	–	–	17,023	17,023
At 31 December 2018	694,893	93,147	384,266	1,172,306

24 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Borrowings RMB'000 (note 25)	Obligations under finance leases RMB'000 (note 27)	Amount due to related parties RMB'000	Total RMB'000
At 1 January 2017	**1,189,513**	**51,282**	**450,231**	**1,691,026**
Changes from financing cash flows:				
Proceeds from borrowings	1,060,669	–	–	1,060,669
Repayment of bank loans	(1,206,506)	–	–	(1,206,506)
Proceeds from a finance lease	–	42,735	–	42,735
Capital element of finance lease	–	(385)	–	(385)
Interest element of finance lease rentals paid	–	(4,195)	–	(4,195)
Advance from related parties	–	–	871,849	871,849
Repayment of advance from related parties	–	–	(820,051)	(820,051)
Total changes from financing cash flows	(145,837)	38,155	51,798	(55,884)
Exchange adjustments:	(16,920)	–	(33,407)	(50,327)
Other changes				
Finance charges on obligation under finance leases (note 8(a))	–	4,195	–	4,195
Increase in other receivable	–	–	(37,200)	(37,200)
At 31 December 2017	**1,026,756**	**93,632**	**431,422**	**1,551,810**

25 BORROWINGS

(a) At 31 December 2018, the analysis of the carrying amount of borrowings is as follows:

	2018 RMB'000	2017 RMB'000
Bank loans		
– secured	**426,880**	499,756
– unsecured	**205,013**	457,000
Secured entrusted loans	**63,000**	70,000
	694,893	1,026,756

(b) At 31 December 2018, borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**638,893**	963,756
After 1 year but within 2 years	**56,000**	7,000
After 2 years but within 5 years	**–**	56,000
	56,000	63,000
	694,893	1,026,756

(c) Borrowings were secured by the following assets:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment (note 13)	**91,734**	110,583
Lease prepayments (note 17)	**30,895**	31,634
Pledged deposits (note 24(a))	**–**	322,200
	122,629	464,417

At 31 December 2018, the effective interest rates of the borrowings of the Group were in the range from 2% to 9% per annum (31 December 2017: range from 1.88% to 9% per annum).

No bank loans were obtained in connection with factoring arrangements with customers as at 31 December 2017 and 31 December 2018.

26 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Bills payables	**43,225**	–
Trade payables	**91,626**	309,766
Receipts in advance	**8,468**	23,219
Other payables and accruals	**257,387**	190,810
	400,706	523,795

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

Receipts in advance at 1 January 2018 had been fully recognised as revenue in 2018 and its balance as at 31 December 2018 is expected to be recognised as revenue within the 12 months after the reporting date.

As of the end of the reporting period, the ageing analysis of trade and bills payables is as follows:

	2018 RMB'000	2017 RMB'000
Due within 1 month or on demand	**72,712**	245,156
Due after 1 month but within 3 months	**31,726**	44,130
Due after 3 months but within 6 months	**30,413**	20,480
	134,851	309,766

27 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**27,578**	**33,349**	6,702	6,959
After 1 year but within 2 years	**10,540**	**14,741**	29,781	33,349
After 2 years but within 5 years	**36,483**	**44,222**	34,582	44,222
After 5 years	**18,546**	**21,122**	22,567	35,862
	65,569	**80,085**	86,930	113,433
	93,147	**113,434**	93,632	120,392
Less: total future interest expenses		**(20,618)**		(26,760)
Present value of lease obligations		**92,816**		93,632

28 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authorities whereby these PRC subsidiaries are required to make a contribution at rates from 19% to 20% (2017: 19% to 20%) of the eligible employees' salaries to the Scheme. The Group has accrued for the required contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employees covered under the Scheme.

The Group also operates a Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees under the Group's Spanish subsidiary are regulated by law to participate in the State Pension Scheme. The State Pension Scheme is part of the social security system in Spain which is governed by the Ministry of Employment and Social Security of the Spanish Government. The Group and the employees are required to make mandatory contributions towards the State Pension Scheme at rates of 23.6% and 4.7% (2017: 23.6% and 4.7%), respectively, of the employee's relevant income, subject to a cap of monthly relevant income of EUR3,803.70 (2017: EUR3,751.20). The minimum contribution period to qualify for the retirement benefit is 15 years, with a full pension attainable after 35 years and 5 months (2017: 37 years) of contribution.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

29 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. As at 31 December 2017 and 2018, the trustee held 24,343,000 shares under the Scheme, representing approximately 3.15% of the issued share capital of the Company.

During the years ended 31 December 2018 and 2017, no shares were granted to any employees of the Group.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
Prepaid withholding tax on dividends distribution	**3,137**	8,111
Provision for PRC income tax	**30,740**	16,507

(b) Deferred tax assets/(liabilities) recognised:

i. *Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Provision for impairment of trade receivables RMB'000	Write-down of inventories RMB'000	Unrealised profits of intragroup sales RMB'000	Fair value adjustments of assets RMB'000	Accrued expenses RMB'000	Tax losses recognised RMB'000	Total RMB'000
At 1 January 2017	120,246	429	8,592	(1,770)	1,225	28,753	157,475
Credited/(charged) to profit or loss (note 9(a))	38,734	–	(5,343)	141	9	7,207	40,748
At 31 December 2017	158,980	429	3,249	(1,629)	1,234	35,960	198,223
At 1 January 2018	**158,980**	**429**	**3,249**	**(1,629)**	**1,234**	**35,960**	**198,223**
Credited/(charged) to profit or loss (note 9(a))	**–**	**259**	**(239)**	**221**	**–**	**6,053**	**6,294**
At 31 December 2018	**158,980**	**688**	**3,010**	**(1,408)**	**1,234**	**42,013**	**204,517**

ii. *Reconciliation to the consolidated statement of financial position*

	2018 RMB'000	2017 RMB'000
Net deferred tax assets	**205,925**	199,852
Net deferred tax liabilities	**(1,408)**	(1,629)
	204,517	198,223

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax liabilities not recognised

As at 31 December 2018, deferred tax liabilities in respect of temporary differences relating to undistributed profits of RMB3,195,000 (2017: RMB1,514,821,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(q), the Group has not recognised deferred tax assets of RMB6,175,000 (2017: RMB6,555,000) in respect cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. All of these tax losses will expire within 5 years under the current tax legislation.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

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	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017		66,010	(100,121)	20,710	1,505	372	(40,912)	136,083	83,647
Loss for the year		–	–	–	–	–	–	(603)	(603)
Other comprehensive income		–	–	–	–	–	(3,176)	–	(3,176)
Total comprehensive income for the year		–	–	–	–	–	(3,176)	(603)	(3,779)
At 31 December 2017	31(d)	66,010	(100,121)	20,710	1,505	372	(44,088)	135,480	79,868
At 1 January 2018		**66,010**	**(100,121)**	**20,710**	**1,505**	**372**	**(44,088)**	**135,480**	**79,868**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(137)**	**(137)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**2,128**	**–**	**2,128**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**2,128**	**(137)**	**1,991**
At 31 December 2018	31(d)	**66,010**	**(100,121)**	**20,710**	**1,505**	**372**	**(41,960)**	**135,343**	**81,859**

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

i. The directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

(c) Share capital

Details of authorised and issued share capital are as follows:

	2018 HK$'000	2017 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000

	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:				
At 31 December 2017 and 31 December 2018	0.10	773,769	77,377	66,010

(d) Nature and purpose of reserves

i. *Share premium*

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

ii. *Shares held for share award scheme*

Shares held for share award scheme comprised shares purchased and held which will be awarded to selected employees in accordance with share award scheme.

iii. *Employee share-based compensation reserve*

Employee share-based compensation reserve represents the fair value of employee services in respect of share granted to certain employees of the Group.

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

iv. Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory surplus reserve can be used to make good prior years' losses, if any, and may be converted into capital provided that the balance after such issue is not less than 25% of the registered capital.

v. Capital reserve

The capital reserve comprised the excess on transfer of equity from non-controlling interests in Boer Yixing, Boer Wuxi and Yixing Boai over purchase considerations prior to 1 January 2011.

vi. Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

vii. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 4(r).

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company defines "capital" as including all components of equity. The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to honour its contractual obligations, and arises principally from the Group's trade and bills receivables and bank deposits.

The Group mitigates its exposure to credit risk arising from bank deposits by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of these banks, management does not expect any counterparty to fail to meet its obligations.

Bank acceptance bills endorsed to its suppliers which are not yet due as at 31 December 2018 were amounted to RMB131,289,000 (31 December 2017: RMB69,371,000). These bank acceptance bills were derecognised by the Group (the "Derecognised Bills"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The Derecognised Bills generally have maturity dates of 180 days, and the Group in general endorses the bank acceptance bills equivalent to their face value. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

As at 31 December 2018, the Group has a certain concentration of credit risk as 2.3%, 10.9% and 15.7% (2017: 1.3%, 6.5% and 6%) of the total trade receivables were due from the Group's largest customer, the five largest customers and largest debtor as at 31 December 2018. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. In addition, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 36.

As at 31 December 2018, except for credit impaired balances with gross amount of RMB2,179,000 that have been assessed individually, the Group uses debtors' ageing to assess the impairment for its customers. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL:

	Discounted rate	Gross carrying amount RMB'000	Expected loss rate (%) RMB'000	Loss allowance RMB'000
Within 3 months	1	235,408	1%	2,354
Over 3 months but within 6 months	1	87,367	2%	1,747
Over 6 months but within 1 year	1	144,014	4.4%	6,366
Over 1 year (note)	0.91	2,179,269	0%-100%	1,895,174
		2,646,058		1,905,641

The ageing analysis of trade receivables is based on the invoice date.

Note:

ECL at 0% – Collaterals have been obtained from certain customers, and typically comprise properties and land. No impairment loss is provided for the debtor balance when the collateral has a value greater than the debtor balance.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables. The grouping is regularly reviewed by management to ensure relevant information about specific debtor is updated.

Prior to 1 January 2018, an impairment loss was recognized only upon there was objective evidence of impairment (see note 4 (k)B(ii)). At 31 December 2017, trade receivables of RMB 972,331,000 was determined to be impaired. The ageing analysis of trade receivables are disclosed in note 22(a).

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the boards of directors/management of the entities. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following table presents the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Note	2018					
		Carrying amount at 31 December RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Borrowings		694,893	706,771	647,831	58,940	–	–
Trade and other payables		400,706	400,706	400,706	–	–	–
Amounts due to related parties		384,266	384,266	–	384,266	–	–
Obligations under finance leases		93,147	113,434	33,349	14,741	44,222	21,122
		1,573,012	1,605,177	1,081,886	457,947	44,222	21,122
Maximum amount guaranteed	36	367	367	367	–	–	–

Further information concerning the liquidity risk facing the Group and the directors' plans for managing the liquidity needs of the Group is disclosed in note 3(b) to these consolidated financial statements.

	Note	2017					
		Carrying amount at 31 December RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Borrowings		1,026,756	1,061,417	990,069	12,408	58,940	–
Trade and other payables		523,795	523,795	523,795	–	–	–
Amounts due to related parties		431,422	431,422	431,422	–	–	–
Obligations under finance leases		93,632	120,392	6,959	33,349	44,222	35,862
		2,075,605	2,137,026	1,952,245	45,757	103,162	35,862
Maximum amount guaranteed	36	4,841	4,841	4,474	367	–	–

The Group intends to enter into a partnership network with various banks in arrangement of loan syndication which is in alignment with the Group's direction for business expansion and to counter for the increased exposure to liquidity risk.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The following table details the interest rate profile of the Group's interest-generating financial liabilities as at the end of the reporting period:

	2018		2017	
	Effective interest rate per annum	**RMB'000**	Effective Interest rate per annum	RMB'000
Fixed rate instruments:				
Borrowings	**2% – 9%**	**694,893**	4.35%–9%	741,880
Obligations under finance leases	**6.62%–7.25%**	**93,147**	6.62%–7.25%	93,632
Variable rate instruments:				
Borrowings	**–**	**–**	1.88%–2.56%	284,876
Total instruments		**788,040**		1,120,388

Borrowings are issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates as at 31 December 2018.

As at 31 December 2017, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased retained profits by approximately RMB2,849,000.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from variable rate borrowings held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates.

(d) Currency risk

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

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

The management does not expect that there will be any significant currency risk for the Group for both years ended 31 December 2018 and 2017.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value

The following financial assets are measured at fair value. The fair value of bills receivables approximates to their carrying amounts (i.e. face value of bank acceptance bills), as the Group in general endorses the bank acceptance bills equivalent to their face value. The fair value of unlisted equity investment is determined by discounting the expected cash flows using weighted average cost of capital. All financial assets and liabilities are carried at amounts not materially different from their fair value as at 31 December 2017.

	Fair value measurements As at 31 December 2018 using		
	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Description			
Fair value measurements			
Unlisted equity investment	–	–	9,094
Bills receivables	–	2,594	–
	–	2,594	9,094

33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Year 2018

Financial assets

	Financial assets at FVTPL RMB'000	Financial assets at FVOCI – debt instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Unlisted equity investment	9,094	–	–	9,094
Trade receivables	–	–	740,417	740,417
Bills receivables	–	2,594	–	2,594
Financial assets included in prepayments, deposits and other receivables	–	–	200,548	200,548
Contract cost	–	–	20,666	20,666
Pledged deposits	–	–	32,956	32,956
Cash and cash equivalents	–	–	9,734	9,734
	9,094	2.594	1,004,321	1,016,009

33 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**134,851**
Financial liabilities included in other payables and accrual	**265,855**
Obligation under finance lease	**93,147**
Borrowings	**694,893**
Amounts due to related parties	**384,266**
	1,573,012

Year 2017

Financial assets

	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	–	1,916,052	1,916,052
Financial assets included in prepayments, deposits and other receivables	–	164,245	164,245
Amount due from a related party	–	13,340	13,340
Unlisted equity investment	10,348	–	10,348
Pledged deposits	–	336,173	336,173
Cash and cash equivalents	–	15,655	15,655
	10,348	2,445,465	2,455,813

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	309,766
Financial liabilities included in other payables and accrual	214,029
Amounts due to related parties	431,422
Borrowings	1,026,756
Obligation under finance lease	93,632
	2,075,605

34 CONTINGENT LIABILITIES

In November 2017 and December 2018, there are two customers who commenced legal proceedings against a subsidiary of the Company in respect of the dispute in contracts and claimed compensation for their losses suffered of RMB27,460,000. The Directors of the Company had been advised by its legal counsel that it was not probable that a significant liability would arise. Accordingly, no provision in relation to these claims had been recognised in these consolidated financial statements.

35 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018 **RMB'000**	2017 RMB'000
Authorised but not contracted for	**102,950**	102,950

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**1,075**	2,703
After 1 year but within 5 years	**849**	1,237
After 5 years	**471**	–
	2,395	3,940

Significant leasing arrangements in respect of property, plant and equipment classified as being held under finance leases are described in note 13(d).

Apart from these leases, the Group leases certain properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

36 FINANCIAL GUARANTEE ISSUED

As at the end of the reporting period, the Group has several financial guarantees issued in prior years in respect of loans of RMB367,000 (31 December 2017: RMB4,841,000) made by finance companies to debtors of the Group with a guarantee period of which will be expired by 5 years.

(Expressed in Renminbi unless otherwise indicated)

37 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.

During the year ended 31 December 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.

37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties

(i) Transactions

Cash advances from related parties

Name of party	2018 RMB'000	2017 RMB'000
Mr. Qian Yixiang	**36,378**	100,000
Ms. Jia Lingxia	**154,347**	140,000
King Able	**–**	90,307
Wuxi Boer	**562,727**	536,988
Boer Smart	**442**	4,554
	753,894	871,849

Settlement of cash advances from related parties

Name of party	2018 RMB'000	2017 RMB'000
Mr. Qian Yixiang	**369**	144,602
Ms. Jia Lingxia	**191,745**	48,000
King Able	**86,323**	91,125
Wuxi Boer	**544,278**	553,948
Boer Smart	**10,285**	19,576
	833,000	857,251

Payment on behalf of a related party

Name of party	2018 RMB'000	2017 RMB'000
Wuxi Boer	**–**	13,340

37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(i) Transactions (continued)

Net outstanding amounts owed to related parties

Name of party	2018 RMB'000	2017 RMB'000
Mr. Qian Yixiang	**154,797**	161,960
Ms. Jia Lingxia	**9,628**	93,709
King Able	**22,575**	23,140
Wuxi Boer	**179,624**	117,984
Bright Rise	**17,566**	16,674
Boer Smart	**76**	4,615
	384,266	418,082

(ii) Loans from related parties

Loans facilities granted from related parties

Pursuant to several loan facility agreements signed in 2017 and 2018, 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 according to the terms of agreements.

Name of party	2018	2017
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**RMB500,000,000 and US$1,393,000**	RMB500,000,000 and US$1,393,000
Ms. Jia Lingxia	**HK$2,000,000**	HK$2,000,000
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

37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(iii) Unused loans facilities

Name of party	2018 RMB'000	2017 RMB'000
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**478,886**	393,921
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**120,376**	168,676
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**82,434**	83,326
Mr. Qian Yixiang and Boer Singapore	**45,203**	38,040
Boer Smart	**34,925**	30,385
	761,824	714,348

(b) Financial guarantees received from related parties

At 31 December 2018, borrowings amounted to RMB236,880,000 were guaranteed by Mr. Qian Yixiang, Ms. Jia Lingxia and Shanghai Changcheng (31 December 2017: RMB276,880,000).

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions mentioned in note 37(a) and 37(b) above constitute connected transaction as defined in Chapter 14A of the Listing Rules. However, the transactions mentioned in note 37(a) and 37(b) are fully exempt from shareholders' approval, annual review and all disclosure requirement under Rule 14A.90 of the Listing Rules.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2018 RMB'000	2017 RMB'000
Contributions to defined contribution retirement plans	**493**	305
Salaries, wages and other benefits	**5,270**	4,962
	5,763	5,267

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Investment in subsidiaries	18	**39,997**	39,997
Amounts due from subsidiaries		**–**	240,176
Amount due from a related party		**9,840**	9,340
		49,837	289,513
Current assets			
Amounts due from subsidiaries		**221,179**	–
Cash at bank		**76**	167
		221,255	167
Current liabilities			
Bank loans		**–**	31,681
Other payables		**5**	39
Amount due to a subsidiary		**171,662**	161,418
Amounts due to related parties		**17,566**	16,674
		189,233	209,812
Net current assets/(liabilities)		**32,022**	(209,645)
NET ASSETS		**81,859**	79,868
CAPITAL AND RESERVES	31(a)		
Share capital		**66,010**	66,010
Reserves		**15,849**	13,858
TOTAL EQUITY		**81,859**	79,868

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, the directors consider the immediate parent of the Group to be King Able Limited and the ultimate controlling party of the Group to be Mr. Qian Yixiang and Ms. Jia Lingxia. King Able Limited is incorporated in the BVI and does not produce financial statements available for public use.