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

INTERIM REPORT 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhang Huaqiao

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

KPMG

LEGAL ADVISER

Stephenson Harwood

INVESTOR AND MEDIA RELATIONS CONSULTANT

Financial PR (HK) Limited

REGISTERED OFFICE

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HEADQUARTERS AND HEAD OFFICE IN THE PRC

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Huishan District
Wuxi City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 1805
18/F, Infinitus Plaza
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House
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P.O. Box 1350
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Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.boerpower.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group"), I report to shareholders the interim results of the Group for the six months ended 30 June 2017 ("1HY2017" or the "Period").

From offering traditional power distribution solutions to one-stop solutions of a combination of high-end intelligent power distribution and energy management, the Group always upholds its corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment". After a relatively difficult adjustment cycle, the Group's business was progressively recovering in 1HY2017. With the faithful support of long-term customers and under aggressive sales tactics, the Group recorded satisfactory sales performance during the Period where the revenue increased by approximately 51.2% year on year to approximately RMB392.1 million, accounting for approximately 85.6% of the full-year revenue in 2016. During the Period, and the Group secured multiple large orders, involving projects in various industries such as data center, medical services, infrastructure, telecommunications, rail transit, power grid and sewage treatment, all of which were orders obtained from non-factoring model. Driven by the sales growth and effective cost control, profit attributable to equity shareholders of the Company saw a rebound during the Period.

In concurrence with the efforts in driving sales and active business expansion, the Group continued to identify "continued enhancement of corporate internal management" as one of its priorities. In 1HY2017, the Group's assets and liabilities level was similar to that for the full year in 2016, though continued to make good progress in collection of trade receivables, cost control and continued optimization of business model. Given the significant achievements in both external outreach and internal control during the Period, net cash outflows from operating activities during the Period was significantly improved compared to last period.

To sum up the first half year, the Group registered outstanding performance in business expansion with laudable achievement of sales continued. In light of the continual rapid growth of digital economy as well as the wide application of big data, cloud computation and Internet of Things technologies which gave rise to the robust development of addition and extension as well as upgrade and transform markets of data centers in the People's Repubic of China (the "PRC" or "China") during the Period, data center contracts continued to be the key to support the rapid business expansion of the Group. During the Period, the Group successfully won the bid for several large data center projects such as GDS Chengdu Data Center and Beijing Yizhuang Data Center, Nanjing Cloud-computing Data Center – Huai'an, Hefei Shushan Hightech Park Data Center and China UnionPay Information Center, providing a firm proof of BOER Power's leading position in intelligent power distribution services of the data center industry in the PRC. Regarding the successful bidding for China UnionPay Information Center, the Group offers China UnionPay with integrated solutions of medium and low voltage intelligent power distribution, marking the Group's another milestone for the expansion of data center business. Financial and banking industries have higher requirements on security and stability of data centers in contrast with other industries. Hence, the accreditation from China UnionPay attested to the fact that the Group's "One-stop Data Center Solution" satisfies the highest standard of the data center industry, has flexible adaptability to the updating and upgrading industry requirements and stays at the technology forefront. The Group's "One-stop Data Center Solution" enjoys high reputation in the industry and the Group has long-term relationships with certain customers, including GDS, China Mobile and China Unicom. During the "13th Five-Year Plan", amidst the development towards in-depth integration of banks and modern information technology, the China Banking Regulatory Commission encourages the industry to actively build green data centers. Meanwhile, the banking industry has enormous demands for secure, stable and reliable intelligent power distribution system solutions. It is believed that this could bring broad market prospect and profit margins to the Company and is expected to be the long-term drivers facilitating our performance.

Apart from strengthening BOER Power's leading edge in the domestic market, the Group actively expanded its overseas business in 1HY2017 and partnered again with Sinoma Architecture for the provision of medium and low voltage intelligent power distribution solutions to its cement engineering projects in three African countries of Kenya, Uganda and Cameroon. In Africa, the infrastructure gap is huge. Driven by the "Belt and Road" initiative, infrastructure investments sprang up and drove the local demands for intelligent power distribution in Africa, which is one of the key overseas markets that the Group has actively explored. Meanwhile, the Group's medium and low voltage intelligent power distribution solutions are favored by The Vinci Group, one of the top five underwriters in the world. The Group successfully reached cooperation with The Vinci Group for the provision of one-stop intelligent power distribution solutions for the water treatment project in Surabaya, Indonesia. It is another remarkable achievement of the Group for exploring the enormous opportunities in South East Asia after tapping into the Bengal market years ago, which enabled BOER Power to gain valuable experience in active expansion of overseas business and was of far-reaching implications. Indonesia is the largest economy in the ASEAN region. The Group has taken early insight into the unlimited potentials of the South East Asian market and improved the strategic plan in advance to establish subsidiaries in Indonesia. It is believed that this will help the Company in pursuing long-term development in the Indonesian market and expanding its business presence in the ASEAN region.

With extensive industry experience, meritorious service and innovative leading technology, the Group further strengthened the cooperation with its long-term customers during the Period. For instance, the Group has unfolded the fourteenth cooperation in six years with AB InBev, a global leading brewery company, providing integrated solution for the high and low voltage intelligent power distribution to its Mudanjiang project and Harbin project in Heilongjiang province. In addition, the Group strove to win trust from more domestic and international renowned enterprises during the Period and successfully expanded its customer base. The Group won the bid for the electrical distribution restructuring project of China Central Television, providing an integrated solution for intelligent power distribution to China Central Television with total contract amount of RMB16.5 million (excluding tax). Moreover, during the Period, the Group maintained good relationship with the Fortune 500 companies and market leaders with which the Group had long established cooperation, including Heidelbergcement AG, Degremont, China Mobile and China Unicom. Our business was gradually picking up thanks to the solid support from long-term customers. Overall, the order sales performed well during the first half of 2017 and were in line with the Group's expectation.

As a leading brand in the industry, the Group has always endeavored to investment in research and development to maintain its product and technology advantages, which continued to strengthen the Group's competitive edges and continued to enhance our market share in key industry segments. The Group launched 7 new products in total, obtained 8 new patents and had 7 patent applications during the Period. The Group believes that the realization of patents is expected to further control costs and expand profit margins in the future.

The Group has engaged in power distribution business for over 30 years. With extensive practical experience, diversified products and forward-looking deployment, the Group has sit tight in the leading position in the industry over the years. In the era of digital economy towards wide application of big data, cloud computation and Internet of Things, the Group will place constant efforts in developing more efficient and quality products and integrated solutions in order to enlarge our market share. As of 25 August 2017, the collection of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work ("trade receivables") also fell within expectations which received over approximately RMB131.0 million. We have sufficient confidence that the sales in the second half of 2017 will continue to see stable growth and will continue to serve as the strong driving force for the performance rebound of the Group.

While steadily facilitating the development of our core business, the Group's efforts in promoting Internet-based have been recognized by Jiangsu Economic and Information Technology Commission. We successfully passed the rigorous assessment and were selected as one of the first "Key Service Institutions for Demonstration and Promotion of Internet-based Development in Jiangsu Province" (江蘇省企業互聯網化重點示範推廣服務機構) in December 2016. We are the only company engaged in high-end power distribution business among the 20 entities on the list, demonstrating our undoubted leading position in the industry.

I, on behalf of the Board, would like to express my most sincere gratitude to the management and the entire staff who have shown utmost diligence and dedication over the Period and worked together with the Group to achieve better results. I would also like to extend my gratitude to our shareholders, investors, long-term customers and business partners for their continual concern about the Group's development and their consistent support. We will move forward from strength to strength and uphold the positive and pragmatic approach to achieve better results and contribute to the community.

Qian Yixiang
Chairman

28 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	4	**392,139**	259,304
Cost of sales	4	**(280,322)**	(161,659)
Gross profit	4	**111,817**	97,645
Other income	5	**5,148**	48,896
Selling and distribution expenses		**(24,382)**	(21,719)
Administrative expenses		**(58,964)**	(78,795)
Profit from operations		**33,619**	46,027
Finance costs	6(a)	**(25,980)**	(44,354)
Profit before taxation	6	**7,639**	1,673
Income tax (expense)/credit	7	**(7,232)**	5,209
Profit for the period		**407**	6,882
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**21,680**	(6,225)
Total comprehensive income for the period		**22,087**	657
Profit attributable to:			
Equity shareholders of the Company		**2,275**	200
Non-controlling interests		**(1,868)**	6,682
Profit for the period		**407**	6,882
Total comprehensive income attributable to:			
Equity shareholders of the Company		**23,955**	(6,025)
Non-controlling interests		**(1,868)**	6,682
Total comprehensive income for the period		**22,087**	657
Earnings per share (RMB cents)	8		
Basic		**–**	–
Diluted		**–**	–

The notes on pages 10 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Investment property, other property, plant and equipment	9	**426,224**	407,334
Construction in progress		**17,364**	21,448
Intangible assets		**4,027**	4,260
Lease prepayments		**34,561**	34,108
Prepayments for purchase of equipment and acquisition of land use right		**–**	1,414
Available-for-sale investment		**10,348**	10,348
Deferred tax assets		**157,836**	159,245
		650,360	638,157
Current assets			
Inventories		**105,138**	132,108
Trade and other receivables	10	**2,673,960**	2,795,643
Current tax asset		**8,111**	8,111
Pledged deposits		**242,454**	415,268
Time deposits with original maturity over three months		**–**	3,000
Cash and cash equivalents	11	**26,602**	27,836
		3,056,265	3,381,966
Current liabilities			
Bank loans	12	**1,165,826**	1,189,513
Trade and other payables	13	**819,056**	967,162
Obligation under a finance lease		**3,946**	3,946
Current tax liabilities		**14,379**	11,425
		2,003,207	2,172,046
Net current assets		**1,053,058**	1,209,920
Total assets less current liabilities		**1,703,418**	1,848,077

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Amounts due to related parties	19(a)(ii)	**283,401**	450,231
Obligation under a finance lease		**47,142**	47,336
Deferred tax liabilities		**1,798**	1,770
		332,341	499,337
NET ASSETS		**1,371,077**	1,348,740
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**1,327,212**	1,303,257
Total equity attributable to equity shareholders of the Company		**1,393,222**	1,369,267
Non-controlling interests		**(22,145)**	(20,527)
TOTAL EQUITY		**1,371,077**	1,348,740

The notes on pages 10 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		66,010	(100,121)	103,071	1,505	249,523	21,436	372	(49,218)	1,903,662	2,196,240	3,365	2,199,605
Profit for the period		–	–	–	–	–	–	–	–	200	200	6,682	6,882
Other comprehensive income		–	–	–	–	–	–	–	(6,225)	–	(6,225)	–	(6,225)
Total comprehensive income for the period		–	–	–	–	–	–	–	(6,225)	200	(6,025)	6,682	657
Capital injection into subsidiaries		–	–	–	–	–	–	–	–	–	–	2,411	2,411
Appropriation to statutory reserve		–	–	–	–	2,583	–	–	–	(2,583)	–	–	–
Dividends approved in respect of the previous year	15												
– Second special dividend		–	–	(82,361)	–	–	–	–	–	–	(82,361)	–	(82,361)
Balance at 30 June 2016		66,010	(100,121)	20,710	1,505	252,106	21,436	372	(55,443)	1,901,279	2,107,854	12,458	2,120,312
Balance at 1 January 2017		**66,010**	**(100,121)**	**20,710**	**1,505**	**250,347**	**21,436**	**372**	**(89,433)**	**1,198,441**	**1,369,267**	**(20,527)**	**1,348,740**
Profit/(loss) for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,275**	**2,275**	**(1,868)**	**407**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,680**	**–**	**21,680**	**–**	**21,680**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,680**	**2,275**	**23,955**	**(1,868)**	**22,087**
Capital injection into subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**250**	**250**
Appropriation to statutory reserve		**–**	**–**	**–**	**–**	**1,174**	**–**	**–**	**–**	**(1,174)**	**–**	**–**	**–**
Balance at 30 June 2017		**66,010**	**(100,121)**	**20,710**	**1,505**	**251,521**	**21,436**	**372**	**(67,753)**	**1,199,542**	**1,393,222**	**(22,145)**	**1,371,077**

The notes on pages 10 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from/(used in) operations		**2,626**	(96,992)
Tax paid		**(2,841)**	(48,239)
Net cash used in operating activities		**(215)**	(145,231)
Investing activities			
Payment for purchase of construction in progress		**(18,933)**	(303)
Proceeds from maturity or disposal of available-for-sale investments		**–**	35,500
Proceeds from maturity of time deposits with original maturity over three months		**3,000**	–
Placement of pledged deposits		**(227,342)**	(284,210)
Withdrawal of pledged deposits		**400,156**	237,890
Other cash flows arising from/(used in) investing activities		**1,583**	(5,158)
Net cash generated from/(used in) investing activities		**158,464**	(16,281)
Financing activities			
Proceeds from bank loans		**534,338**	768,255
Repayment of bank loans		**(555,997)**	(967,417)
Advance from related parties	19(a)(i)	**401,260**	669,624
Repayment of advance from related parties		**(516,004)**	(316,267)
Interest paid		**(23,134)**	(42,824)
Dividends paid to equity shareholders of the Company	15	**–**	(82,352)
Other cash flows arising from financing activities		**56**	2,411
Net cash (used in)/generated from financing activities		**(159,481)**	31,430
Net decrease in cash and cash equivalents		**(1,232)**	(130,082)
Cash and cash equivalents at 1 January	11	**27,836**	155,285
Effects of foreign exchange rates changes		**(2)**	3,057
Cash and cash equivalents at 30 June	11	**26,602**	28,260

The notes on pages 10 to 26 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors (the "Board") is included on pages 27 to 28.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The Company's auditor expressed an unqualified opinion on those financial statements, but included a material uncertainty related to going concern section, in its report dated 28 March 2017.

2. BASIS OF PREPARATION (continued)

During the period ended 30 June 2017, the Group recorded net cash outflows from operating activities of RMB215,000. In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience net operating cash outflows. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

(i) the Group has entered into several loan facility agreements with the controlling shareholders and other related parties in 2016 for general working capital purposes. The loans are term loan facilities with a term of three years, unsecured and non-interest bearing. The Group has the option, but not the obligation, to repay the loan amount drawn down prior to its maturity. As at 30 June 2017, the Group's unused loan facilities was RMB862,819,000 (Note 19);

(ii) as at 30 June 2017, the unused bank loan facilities were RMB801,351,000 for providing additional working capital of the Group;

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

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

Accordingly, the Directors are of the opinion that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are design, manufacture and sale of electrical distribution equipment, and provision of electrical distribution systems solution services in the PRC.

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

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues. For the six months ended 30 June 2017, revenues from this customer amounted to approximately RMB43,910,000 (six months ended 30 June 2016: RMB180,000).

(b) Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The Group has four separate segments:

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

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

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

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

4. REVENUE AND SEGMENT REPORTING (continued)

Information is presented on the basis of business segments, and segment revenue and results are based on the revenue and gross profits of EDS Solutions, iEDS Solutions, EE Solutions and CSP Business.

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

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
Six months ended 30 June 2016				
EDS Solutions	4,047	(2,925)	1,122	125
iEDS Solutions	103,860	(66,986)	36,874	3,185
EE Solutions	76,502	(38,708)	37,794	2,345
CSP Business	74,895	(53,040)	21,855	2,296
	259,304	(161,659)	97,645	7,951

4. REVENUE AND SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**9,171**	7,951
Administrative expenses	**8,687**	4,442
	17,858	12,393

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

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

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

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest income from financial institutions	**1,506**	10,194
Other interest income	**1,020**	–
Refund of value added taxes ("VAT") ^	**455**	33,602
Government grants	**372**	2,005
Others	**1,795**	3,095
	5,148	48,896

^ Pursuant to the VAT law implemented by the State Administration of Taxation in the PRC, taxpayers selling self-developed software products are required to pay VAT at the rate of 17% but are entitled to a 14% VAT refund. Refund of VAT is recognised by the Group when the amount is received from the relevant tax authority.

Pursuant to the VAT law implemented by the State Administration of Taxation in the PRC, taxpayers are required to pay VAT but are entitled to an immediate VAT refund, calculated by the number of disabled employees multiplied by 4 times the minimal wage approved by the provincial government for the district or county.

6. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**24,121**	44,354
	Finance charges on obligation under a finance lease	**1,859**	–
		25,980	44,354
(b)	Staff cost:		
	Contributions to defined contribution retirement plans	**4,886**	5,104
	Salaries, wages and other benefits	**42,304**	39,856
		47,190	44,960
(c)	Other items:		
	Amortisation of intangible assets	**329**	305
	Amortisation of lease prepayments	**1,067**	548
	Depreciation	**16,462**	11,540
	(Reversal)/provision of impairment losses for trade receivables	**(225)**	9,354
	Operating lease charges in respect of properties:		
	minimum lease payments	**3,940**	2,673
	Research and development costs		
	(other than staff costs, amortisation and depreciation)	**5,560**	8,194
	Net loss on disposal of property, plant and equipment	**87**	13
	Net foreign exchange (income)/losses	**(1,252)**	2,369
	Cost of inventories sold#	**272,684**	161,659

Cost of inventories sold includes RMB22,318,000 (six months ended 30 June 2016: RMB20,437,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**4,858**	6,174
Under-provision in respect of prior year	**938**	752
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(303)**	–
Origination and reversal of temporary differences		
– Withholding tax (note (iv))	**–**	(14,000)
– Others	**1,739**	1,865
	7,232	(5,209)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI.

(ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Dubai Multi Commodities Centre ("DMCC"), Mexico, Indonesia 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 six months ended 30 June 2017 and 2016.

(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") and Boer (Yixing) Power System Co., Ltd.* ("博耳(宜興)電力成套有限公司" or "Boer Yixing"), which are qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%.

(iv) Withholding tax

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

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

As at the end of the reporting period, the management expected that no dividend will be distributed by the Group's subsidiaries in Mainland China in the foreseeable future. No dividends withholding tax was recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the period.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,275,000 (six months ended 30 June 2016: RMB200,000) and the weighted average number of 749,426,000 ordinary shares (six months ended 30 June 2016: 749,426,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2017 and 2016, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB34,832,000 (six months ended 30 June 2016: RMB13,949,000).

(b) As at 30 June 2017, the Group was in the process of obtaining the property ownership certificates in respect of certain properties and investment properties located in the PRC with net book values of RMB38,553,000 (31 December 2016: RMB43,973,000) and RMB142,383,000 (31 December 2016: RMB146,022,000) respectively.

(c) Property, plant and equipment held under finance lease

The Group sold and leased back the equipment under a finance lease expiring in seven years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. No gain or loss arose from the sale and leaseback transaction. No contingent rentals are included in the finance lease. At the end of the reporting period, the net book value of plant and machinery held under finance lease was RMB59,782,000 (31 December 2016: RMB61,247,000).

10. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	**278,050**	144,916
Over 3 months but within 6 months	**23,238**	43,581
Over 6 months but within 1 year	**96,369**	88,765
Over 1 year	**2,012,708**	2,129,124
Trade receivables, loans to customers, retention receivables	**2,410,365**	2,406,386
Bills receivable	**33,512**	134,626
Gross amount due from customers from contract work	**46,809**	40,699
Prepayments, deposits and other receivables	**183,274**	213,932
	2,673,960	2,795,643

10. TRADE AND OTHER RECEIVABLES (continued)

At 30 June 2017, the Group had endorsed and derecognised bank acceptance bills totalling RMB32,863,000 (31 December 2016: RMB246,716,000). These derecognised bank acceptance bills were endorsed to suppliers and had a maturity date of less than six months from the end of the reporting period. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Impairment of trade receivables, loans to customers and retention receivables

Impairment losses in respect of trade receivables, loans to customers and retention 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, loans to customers and retention receivables directly.

At 30 June 2017, specific allowances for doubtful debts of RMB701,108,000 were recognized for individually impaired receivables (31 December 2016: RMB706,245,000).

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

At 30 June 2017, allowances for doubtful debts resulting from the collective assessment amounted to RMB41,415,000 (31 December 2016: RMB36,503,000).

At 30 June 2017, RMB1,044,227,000 (31 December 2016: RMB988,961,000) of the Group's trade receivables and loans to customers balance (net of allowance for doubtful debts) were secured by the Group's customers, as follows:

(i) Collaterals in the form of leasehold land, properties and construction in progress; and

(ii) Pledge of the customers' certain assets, including equity interests and rights to collection of service fee income.

11. CASH AND CASH EQUIVALENTS

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

12. BANK LOANS

As at 30 June 2017, all of the bank loans were repayable within one year with effective interest rates ranging from 1.29% to 6.50% per annum (31 December 2016: range from 1.42% to 6.50% per annum) and were secured by pledged deposits of RMB224,200,000 (31 December 2016: pledged deposits of RMB270,000,000).

13. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Due within 1 month or on demand	**565,006**	737,769
Due after 1 month but within 3 months	**49,138**	54,072
Due after 3 months but within 6 months	**12,655**	12,858
Trade payables and bills payable	**626,799**	804,699
Receipts in advance	**12,356**	12,812
Other payables and accruals	**179,901**	149,651
	819,056	967,162

14. SHARE AWARD SCHEME

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

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

During the period ended 30 June 2017 and the year ended 31 December 2016, the Group did not grant any shares to its employees.

15. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Second special dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 30 June 2016: HK13 cents per share)	**–**	82,361

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2017 and 31 December 2016, except that the fair value of the amount due to related parties is classified within Level 2 of the fair value hierarchy and is approximately RMB262,887,000 (31 December 2016: RMB390,962,000), which is estimated using the expected future cash flows discounted at prevailing market interest rate as at the end of the reporting period.

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

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2017 not provided for in the interim financial report were as follows:

	At 30 June	At 31 December
	2017	2016
	RMB'000	RMB'000
Contracted for	**29,087**	–
Authorised but not contracted for	**134,800**	155,430
	163,887	155,430

18. FINANCIAL GUARANTEE ISSUED

As at the end of the reporting period, the Group has issued several financial guarantees in respect of loans of RMB16,562,000 (31 December 2016: RMB13,910,000) made by finance company to debtors of the Group with a guarantee period of five years.

(Expressed in Renminbi unless otherwise indicated)

19. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Financial assistance from related parties

During the period ended 30 June 2017, 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 name is for reference only. The official name of this company is in Chinese.

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(i) Transactions

Cash advances from related parties

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Name of party		
Mr. Qian Yixiang and Boer Singapore	**–**	123,342
Ms. Jia Lingxia	**–**	1,758
King Able	**90,932**	161,977
Wuxi Boer	**307,128**	365,389
Bright Rise	**–**	17,158
Boer Smart	**3,200**	–
	401,260	669,624

(ii) Outstanding amounts owed to related parties

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Name of party		
Mr. Qian Yixiang and Boer Singapore	**82,142**	91,208
Ms. Jia Lingxia	**1,784**	1,844
King Able	**94,227**	152,008
Wuxi Boer	**76,562**	167,238
Bright Rise	**17,402**	17,992
Boer Smart	**11,284**	19,941
	283,401	450,231

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(iii) Loans from related parties

Loans facilities granted from related parties

The related parties as lenders and the Group as borrower entered into several loan agreements each with a term of three years in 2016. The loans were advanced to the Group for its general working capital purposes.

Those loans are all unsecured and non-interest bearing. The Group has option, but not the obligation, to repay the loan amount drawn down prior to its maturity.

	At 30 June 2017	At 31 December 2016
Name of party		
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**RMB500,000,000 and USD1,393,000**	RMB500,000,000 and USD1,393,000
Ms. Jia Lingxia	**HKD2,000,000**	HKD2,000,000
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**RMB300,000,000**	RMB300,000,000
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**RMB100,000,000**	RMB100,000,000
Mr. Qian Yixiang and Boer Singapore	**RMB200,000,000**	RMB200,000,000
Boer Smart	**RMB35,000,000**	RMB35,000,000

(iv) Unused loans facilities

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Name of party		
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**415,210**	357,714
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**223,438**	132,762
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**82,598**	82,008
Mr. Qian Yixiang and Boer Singapore	**117,857**	108,792
Boer Smart	**23,716**	15,059
	862,819	696,335

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Financial guarantee received from related parties

(i) Pursuant to the financial guarantee agreement entered between Shanghai Changcheng and a bank to secure the loan facility of RMB200,000,000 to Boer Wuxi, a subsidiary of the Company, as at 30 June 2017, loans amounted to RMB200,000,000 was drawn by Boer Wuxi.

(ii) On 5 January 2017, Mr. Qian Yixiang and Ms. Jia Lingxia entered into a financial guarantee agreement with a bank to guarantee acceptance bill facilities of RMB4,780,000 to the Group. The amount was utilized and included in bills payable as at 30 June 2017.

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

HKFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments that do not have a quoted price in an active market is to recognise at cost less impairment losses in the statement of financial position. This change in policy will have impact on the Group's net assets and total comprehensive income as well as on reported performance amounts such as profit and earnings per share (if applicable).

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has not anticipated that the adoption of HKFRS 15 in the future will have a significant impact on the Group's consolidated financial statements.

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB5,095,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

REVIEW REPORT

REVIEW REPORT TO THE BOARD OF DIRECTORS OF BOER POWER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 26 which comprises the consolidated statement of financial position of Boer Power Holdings Limited (the "Company") as of 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the interim financial report which discloses that the Company together with its subsidiaries (the "Group") recorded net cash outflows from operating activities of RMB215,000 for the period. The Group has faced longer average trade receivables turnover days than its average trade payables turnover days which consequently may result in net operating cash outflows in the next twelve months. As stated in that note, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Our opinion is not modified in respect of this matter.

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

28 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2017, the global economy continued to improve. Developed economies showed signs of recovery while emerging economies led by China and India continued to serve as the major growth driver. During the six months ended 30 June 2017 (the "Period"), the Chinese economy outperformed the market expectation and registered a year-on-year growth of 6.9% in gross domestic product ("GDP") in the first half of the year. During the Period, the gross economic output reached RMB38.1 trillion, continuing the growth momentum of the start of "13th Five-Year Plan". During the first half of the year, the national above-scale industrial added value recorded a year-on-year actual growth of 6.9%. Meanwhile, the manufacturing industry was striding forward to medium to high end, with a year-on-year growth of 13.1% and 11.5% in the added value of the high-tech industry and equipment manufacturing industry, respectively. During the first half of the year, the national above-scale industrial enterprises realized a total profit of RMB3.6 trillion, representing a year-on-year growth of 22%.

For the electricity transmission and distribution market, the National Development and Reform Commission and the National Energy Administration jointly issued the "Circular on Orderly Easing Restrictions over the Power Generation and Consumption Plans" (《關於有序放開發用電計劃的通知》) in March 2017. It is proposed to expedite the orderly opening up of power distribution and sales business and competition over new tariffs, which marks a crucial step for the reform of power market. The supply-side reform accelerated the transformation of the power transmission and distribution equipment manufacturing industry from quality and efficiency to intelligence. High-end power distribution equipment and system with high-performance, environmentally friendly and intelligent features will become the industry trend in the future, where the realization of custom manufacturing is the key to expand and strengthen power transmission and distribution. During the "13th Five-Year Plan", the investments in construction and upgrade of the power distribution network in China will not be less than RMB1.7 trillion. During the first half of 2017, the investments in power grid engineering nationwide amounted to RMB239.8 billion, representing a year-on-year growth of 10%. Large investment in construction of the power distribution network represents the huge market potentials of intelligent electricity distribution equipment such as intelligent transformers, intelligent high-voltage switchgears and intelligent package substations.

The rapid development of data centers was also encouraging. Given the popularized application of HD video, live broadcast, VR and the Internet of Things, internet traffic has doubled the growth, driving internet service providers and telecommunication operators to increase their investments in content and network resources. As big data and cloud computation are the current driving force of technological reform and industrial upgrades, the addition of data centers has become the basic mean for all sectors and industries to grasp industrial transformation and upgrade. Recently, the financial, medical, innovative pharmaceutical, automobile manufacturing, fast moving consumer goods such as liquor and other sectors were competing in building data centers, as driven by national policies. According to market research, the data center industry in China will grow exponentially and it is expected that the average compound annual growth rate of the industry will reach 13% in the coming four years. Despite the rapid growth of data centers, the issue of high energy consumption needs to be addressed urgently. The urgent demand for energy saving data centers serves as a strong driver for the growth in market demand for intelligent distribution and energy saving products and services. Data centers have always been the key segment of the Group's business development. During the Period, the Group successfully won the bid for several data center projects of long-term customers and new customers by leveraging on its "One-stop Data Center Solution".

Driven by the development of smart cities, the real estate industry has also seen a robust demand for intelligent electricity distribution solutions. During the "13th Five-Year Plan", the market scale of smart cities in China is expected to exceed RMB4 trillion. According to the latest market research, the investment in information technology for smart cities is anticipated to reach RMB375.2 billion in 2017, distributed across environmental protection, infrastructure, security, medical services and others. As the core of smart cities, intelligent power grids need to be ahead of intelligent electricity distribution solutions characterized by reliable, cost-effective, clean and environmentally friendly features, so as to realize a high degree of integration of power flow, information flow and business flow. Leveraging on the flexibility of its own products, research and innovation capability and years of development experience in data center, medical services and infrastructure industries, the Group is confident in establishing its brand and exploring new opportunities amidst this tremendous blue ocean.

MARKET REVIEW (continued)

For the overseas market, the increasing global demand for efficient and energy-saving intelligent electrical distribution also creates a better market prospect for the Group. According to the latest annual report of International Energy Agency, total global energy investments in 2016 amounted to US$1.7 trillion, among which, electricity investments exceeded the total investments in oil and gas for the first time, recording full year total investments of US$718 billion. With electricity coverage expanding rapidly in the world, there has been a surge in demand for electricity transmission and distribution equipment. According to market research, the total market for electrical distribution equipment will maintain a compound annual growth rate of 9% until 2020. However, there is still a major gap between power grid development and security of power distribution in regions such as Africa, Southeast Asia as well as South Asia and that of the other developed economies. At the beginning of this year, China announced that it will invest an additional RMB780 billion into infrastructure in countries along the Belt and Road, taking forward the implementation of these national infrastructure projects. This has stimulated the local demand for intelligent electrical distribution equipment, serving as gateways for the expansion of our overseas business. In addition to infrastructure investment, there is a strong global demand for data centers, which is an important opportunity we strive to seize. According to market research, it is estimated that total global investment in data center construction will be doubled from US$33.9 billion in 2015 to US$69 billion in 2022, with 40% of the investments made for electrical distribution systems. The Company expects to leverage its extensive, diverse and leading experience in domestic projects, thereby striving to become a reliable partner for more overseas data center projects.

BUSINESS REVIEW

Having gone through the adjustment cycle in 2016, the Group's business resumed stable growth during the first half of 2017. The gratifying sales performance contributed revenue of approximately RMB392.1 million to the Group during the Period, representing a growth of approximately 51.2% compared with the six months ended 30 June 2016 and a similar level to the total sales for the full year of 2016. During the Period, all of the Group's new orders were obtained from non-factoring model. As sales was gradually picking up and the Group implemented effective cost control measures during the Period, profit attributable to equity shareholders of the Company saw a rebound during the Period.

As at 30 June 2017, 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").

As the digital economy developed rapidly, telecommunication operators, internet service providers and financial institutions urgently built data centers to enhance their capabilities for data storage, computation and management, providing a favorable environment for the Group's business development. Plus, national policies facilitated the upgrade and transformation of data centers, thus driving consistently strong market demand for the Group's "One-stop Data Center Solution". In the first half of 2017, the Group successfully won the bid for GDS Chengdu Data Center and Beijing Yizhuang Data Center, China UnionPay Information Center, Nanjing Cloud-computing Data Center – Huai'an and Hefei Shushan Hightech Park Data Center, providing a powerful driving force for the Group to once again achieve prominent results in sales. The Group's "One-stop Data Center Solution" delivers outstanding performance in terms of security and energy-saving and is in line with the national standard for green data centers, which can further reduce data centers' particular requirements for external environment and is beneficial in simplifying and shortening construction cycle and thus expediting the release of market potential. In the first half of 2017, the Group strengthened cooperation with long-term customers including GDS, China Mobile and China Unicom by leveraging its excellent products and services as well as the extensive industry experience. On top of that, we proactively broadened our customer base and explored more diverse commercial cooperation, with an aim of creating additional brand value.

BUSINESS REVIEW (continued)

Leveraging our leading technological strength, quality products and services as well as competitive prices, the Group has established a stable customer base in industries such as infrastructure, rail transit, medical services, telecommunications, broadcasting and consumption and became long-term partners with various market leaders. Our professional strength has been recognised among customers. During the Period, the Group has set out its fourteenth cooperation in six years with AB InBev, a global leading brewery company, providing an integrated solution for high and low voltage intelligent power distribution to AB InBev's projects in Heilongjiang and Harbin with total contract amount of RMB15.4 million (excluding tax). Moreover, the Group also won the bid for the electrical distribution restructuring project of China Central Television, providing an integrated solution for intelligent power distribution to China Central Television with total contract amount of RMB16.5 million (excluding tax). Fortune 500 companies and market leaders maintain long-term cooperative relationships with the Group include Heidelbergcement AG, Degremont, Brembo, Budweiser, China Mobile, China Unicom and CapitaLand. During the Period, the Group successfully introduced large-scale orders from state-owned companies, further enriching the Group's quality customer base.

For the overseas market, after years of strategic planning, the Group is well-positioned to further develop its overseas business and achieved excellent results during the Period, which included providing solutions for medium and low voltage intelligent power distribution to the cement engineering projects of Sinoma Architecture located in three countries of Africa, namely Kenya, Uganda and Cameroon, and winning the bid for water engineering project located in Surabaya, Indonesia in collaboration with Vinci Group, one of the top five engineering contractors in the world. In recent years, the markets of Southeast Asia and Africa have stepped up efforts in developing infrastructure construction. "Belt and Road" has introduced more resources for the covered countries to make up funding gaps in infrastructure projects, further stimulating market potential and thus providing PRC intelligent power transmission and distribution technologies and equipment with the new gateway to the world. Maintaining good cooperation relationships with overseas and domestic well-known engineering contractors, the Group successfully strengthened its international sales network with their help and exported Boer Power's leading products and services to the world during the Period. Given that overseas business will become the Group's key segment for opening up new revenue streams in future, the Group has expanded its overseas presence in advance, establishing overseas branches and sales companies in three countries, namely Spain, Indonesia and Mexico, which serve as the Group's foundation for expanding into the emerging markets of Europe, Asia and Latin America. Among which, ASEAN market is the Group's key development area, with Indonesia showing immense potential in particular. Indonesia is the largest economy in the ASEAN region. In addition to the strong demand for power distribution solutions of infrastructure, the policy for data center management newly launched by the local government is expected to stimulate the implementation of more new data center projects. As such, Indonesia is considered as the fastest data center development country among the Southeast Asian countries by global consulting firms. The cooperation opportunities proactively earned by the Group during the Period will bring important experience to the Group for its further expansion in the Indonesian market in the future.

During the Period, the Group continued to make significant investment in research and development, which further enhanced the Group's technological competitiveness and enabled us to stand still amidst fierce industry competition. In the first half of 2017, the Group launched a total of 7 new products, including XGS-40.5 purge cabinet, Xsmart 25KA purge cabinet, double pole moulded-case circuit breaker 250A/630A DC1500, multi-functional voltage meter PMW2820, wireless collection devices PMW180, HC-MIS-ALM switch and HC-MCP1-AC control panel.

During the Period, the Group continued to strengthen its internal control and strive to improve the Group's assets and liabilities structure and cash flow level. In the first half of 2017, the collection of trade receivables remained sound with a significant decrease in finance costs. With the satisfactory sales performance, our revenue was gradually picking up. As at 30 June 2017, net cash outflows from operating activities was significantly improved compared to last period.

The total revenue of the Group amounted to approximately RMB392.1 million for the six months ended 30 June 2017, representing an increase of 51.2% as compared to the same period in last year. The increase in revenue was mainly attributable to faithful support of long-term customers and aggressive sales tactics. The Group recorded satisfactory sales performance during the Period and secured multiple large orders, involving projects in various industries such as data center, medical services, infrastructure, telecommunications, rail transit and power grid.

BUSINESS REVIEW (continued)

The total profit attributable to the equity shareholders of the Company amounted to approximately RMB2,275,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: profit of approximately RMB200,000). The increase was mainly due to the substantial increase in revenue contribution from both the iEDS Solutions and EE Solutions business segments.

As at 30 June 2017, the total assets of the Group were approximately RMB3,706,625,000 (31 December 2016: approximately RMB4,020,123,000) while the total liabilities were approximately RMB2,335,548,000 (31 December 2016: approximately RMB2,671,383,000) and the total equity of the Group amounted to approximately RMB1,371,077,000 (31 December 2016: approximately RMB1,348,740,000).

OPERATION AND FINANCIAL REVIEW

EDS Solutions

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

The revenue of EDS Solutions of the Group for the six months ended 30 June 2017 amounted to approximately RMB439,000 (six months ended 30 June 2016: approximately RMB4,047,000), representing approximately 0.1% (six months ended 30 June 2016: approximately 1.6%) of the Group's total revenue for the Period. Decrease in revenue of EDS Solutions of approximately 89.2% was recorded and the gross profit of this business segment was approximately RMB63,000 (six months ended 30 June 2016: approximately RMB1,122,000), representing a decrease of approximately 94.4% as compared to the same period last year.

The gross profit margin of the EDS Solutions segment decreased from approximately 27.7% for the six months ended 30 June 2016 to approximately 14.4% for the Period.

iEDS Solutions

In addition to EDS Solutions, the Group also provides electrical distribution systems with automation features which link all the electromechanical equipment together for automatic data acquisition and analysis, remote control and automated diagnosis, through which the users can remotely control the related data collected from the electromechanical systems and can analyze for energy saving solutions. These functions are useful and important to the users who require more stable and safer auto-controlled electrical distribution systems, such as intelligent data centres, telecommunication and medical services industries.

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

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

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

The revenue of iEDS Solutions of the Group for the six months ended 30 June 2017 was approximately RMB210,545,000 (six months ended 30 June 2016: approximately RMB103,860,000), which accounted for approximately 53.7% (six months ended 30 June 2016: approximately 40.0%) of the Group's total revenue for the Period. The increase in the revenue of iEDS Solutions was approximately 102.7% for the six months ended 30 June 2017 as compared to the same period last year. The significant increase in the revenue of this business segment was mainly driven by increasing and upgrading demand for electrical distribution technologies. The Group's iEDS Solutions continued to earn market recognition. Moreover, the Group further strengthened the close cooperative relationship with the long-term customers. The gross profit of this business segment was approximately RMB55,552,000 (six months ended 30 June 2016: approximately RMB36,874,000), representing an increase of approximately 50.7% as compared to the same period last year.

The gross profit margin of iEDS Solutions segment decreased from approximately 35.5% for the six months ended 30 June 2016 to approximately 26.4% for the Period which was mainly due to an increase in unit cost.

OPERATION AND FINANCIAL REVIEW (continued)

EE Solutions

Based on the data collected by the electrical distribution systems using its iEDS Solutions, the Group can analyse the power consumption status of users, and through management and with various considerations in relation to the power source, select the most appropriate power saving solutions and provide equipment and systems to customers that improve energy efficiency and save electricity costs. EE Solutions services include the provision and maintenance of equipment and a number of other value-added services.

According to the difference in approaches, EE Solutions can be further classified into below categories:

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

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

The revenue of EE Solutions of the Group for the six months ended 30 June 2017 was approximately RMB93,643,000 (six months ended 30 June 2016: approximately RMB76,502,000), which accounted for approximately 23.9% (six months ended 30 June 2016: approximately 29.5%) of the Group's total revenue for the Period. Revenue of EE Solutions for the six months ended 30 June 2017 increased by approximately 22.4% as compared to the same period last year. The increase in the sales of this business segment was because the Group customises EE Solutions for different customers with the data from the customers in focused industries accumulated by the Group over years, by taking into account actual situations of various customers, to allow customers to control costs with ease. It was much more important for the customers in industries that energy consumption is high, thus the demand of these customers on the Group's EE solutions was continuously increasing. The gross profit of this business segment was approximately RMB32,749,000 (six months ended 30 June 2016: approximately RMB37,794,000), representing a decrease of approximately 13.3% as compared to the same period last year.

The gross profit margin of EE Solutions segment decreased from approximately 49.4% for the six months ended 30 June 2016 to approximately 35.0% for the Period which was mainly due to an increase in unit cost.

CSP Business

The Group also manufactures components and spare parts for application on electrical distribution equipment or the basic function units of the solutions and sells such components and spare parts to its customers. Its functions can only be realised through the system or connecting with other hardware.

According to the differences of applications, CSP Business can be further classified into the below categories:

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

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

The revenue of CSP Business of the Group for the six months ended 30 June 2017 was approximately RMB87,512,000 (six months ended 30 June 2016: approximately RMB74,895,000), which accounted for approximately 22.3% (six months ended 30 June 2016: approximately 28.9%) of the Group's total revenue for the Period. As the global economy continued to improve and developed economies showed signs of recovery, an increase in the revenue of CSP Business of approximately 16.8% for the six months ended 30 June 2017 was recorded. The gross profit of this business segment was approximately RMB23,453,000 (six months ended 30 June 2016: approximately RMB21,855,000), representing an increase of approximately 7.3% as compared to the same period last year.

The gross profit margin of CSP Business segment decreased from approximately 29.2% for the six months ended 30 June 2016 to approximately 26.8% for the Period. The fluctuation in gross profit margin is within the normal range.

PROSPECT

As the application of big data became increasingly popular, multiple locations worldwide including developed economies and developing countries have taken active initiatives in bringing the promotion of data center development to the national policy level, which generates unprecedented opportunities for the industry and in turn drives increasing demand for power transmission and distribution solutions. However, ever-changing information reform has led to fast-changing requirements for corresponding technologies. The industry has started to enter the integration period of progressive elimination and price competition. In order to maintain its leading technological edge, it is necessary for the Group to increase R&D investments. Although this may lead to strained profit margins in the short term, the Group is confident in strengthening its absolute leading edge in the data center industry with its years of project experience, leading core technology, strong and growing global customer network.

On top of data center business, the Group was also optimistic about the enormous opportunities brought by smart cities for intelligent power distribution solutions in the future. Vigorous promotion of the National Smart City Strategy is one of the major tasks of the "13th Five-Year Plan". The Inter-ministries Coordination Working Team for Innovative Smart City Development (新型智慧城市建設部際協調工作組), which is comprised of 25 ministries or commissions including the National Development and Reform Commission, Office of the Central Leading Group for Cyberspace Affairs, Ministry of Science and Technology, Ministry of Transport and Ministry of Commerce, has completed task allocation, ranging from the master-design to the specific tasks assigned to various authorities in August of last year. Currently, the National Smart City Pilot Scheme was implemented across over 300 provinces and municipalities in China. All local governments and ministries focus on studying the development plan of smart cities and specific projects have been rolled out. The Group has executed in a timely fashion and made early planning. On 9 August 2017, the Group announced the strategic cooperation agreement with over 10 well-known real estate enterprises and related ancillary enterprises under which the Group will actively explore opportunities in the smart real estate field to expedite and enhance the application of the Group's products and one-stop solutions in smart real estate projects. Developing smart cities is a government boost at all levels for adjusting structures, facilitating transformation and stabilizing growth, encompassing an array of industries such as medical services, education, tourism, transport, water conservancy and urban development. All these industries require intelligent power distribution solutions which are stable, efficient, green and cost-effective in a bid to cope with the requirements of core technologies such as the Internet of Things, big data and cloud computation. The Group firmly believes that smart city business will serve as the new driving force enabling the Company to enlarge its market share and strengthen its leading advantages.

According to the statistics of China Association of Metros (CAMET), in the first half of 2017, there were 247 km of new urban transit lines in operation and 381 km of urban transit lines under construction, and the number of cities with urban transit line operations increased to 31 with total mileage of 4,400 km in China. Currently, the total length of urban transit lines under construction is 5,770 km in China. During the "13th Five-Year Plan", it is expected that the compound growth rate of investment in urban transit will reach 15% and the total investment is anticipated to exceed RMB3 trillion with enormous market potential. The Group has an excellent track record in urban transit projects and has taken part in various construction projects such as Wuxi Metro Line 1 and Line 2 as well as Qingdao Metro Line 2. Under the impetus of national policies, many cities nationwide were accelerating the construction of rail transit, which gave rise to the robust demand for high-performance products that can fulfill the rail transit requirements in the PRC. The Group had reached cooperation with internationally renowned service providers of medium and low voltage power distribution components, equipment and systems. It is proposed that both parties will cooperate to explore thousands of opportunities in the urban rail transit market of China. In the second half of 2017, the Group will actively participate in biddings for metro projects under construction in various cities by taking advantage of its strategic partners' notable edge in product performance and technology as well as its extensive project experience. It is expected that urban rail transit segment will become an important driver that promotes the Group's strong sales performance in the second half of 2017.

PROSPECT (continued)

While speeding up the expansion into different sectors in the Mainland China, the Group will continue to maintain the strategy to expand overseas business rapidly and take advantage of South East Asia, Africa and Middle East as key development markets. In the second half of 2017, the Group will continue the commercial deployment of teaming up with strong partners and seizing early opportunities. Moreover, the Group will endeavor to secure more overseas orders through strengthening cooperation with long-term international customers, and secure a firm footing in the international market with its leading technologies and extensive project experience. It is expected that the Group could explore more enormous and new opportunities by leveraging on its successful experience in overseas development. The Group has improved the strategic plan for various markets and will establish local subsidiaries as and when appropriate, in order to reduce the costs of business expansion and develop a global deployment mechanism that is sustainable, efficient, flexible and forward-looking. Overall, the Group values data centers, smart cities and overseas business as the three major driving forces that will facilitate the Group to develop further. Meanwhile, the Group will grasp opportunities in telecommunications, medical service, rail transit, power grid and sewage treatment industries. Under favourable market conditions and policies, the Group is confident that it can consolidate its market position of leading intelligent power distribution solution provider by leveraging on its outstanding advantages in terms of technologies, products, services and experience.

In the second half of 2017, while adapting proactive marketing strategies to increase the source of income, the Group will continue to strengthen its corporate internal control and enhance the collection of trade receivables. Also, the Group will implement effective “cost-saving” measures and strengthen its costs and expenses control, with an aim to enhance its profitability, further improve its cash flow and optimize its structure of assets and liabilities. As at 25 August 2017, the Group received over approximately RMB131.0 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work (“trade receivables”) as at 30 June 2017. The management of the Group is optimistic about the growth potential of the demand for intelligent electricity distribution products and energy-saving products in domestic and overseas markets. It believes that, through internal control and external expansion, the positive trend of the Group’s business in the first half year will be sustained and steady growth will be achieved.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group’s principal financial instruments comprise cash and cash equivalents, available-for-sale investment, trade and other receivables, trade and other payables, amounts due to related parties and bank loans. As at 30 June 2017, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB26,602,000 (31 December 2016: approximately RMB27,836,000), approximately RMB1,053,058,000 (31 December 2016: approximately RMB1,209,920,000) and approximately RMB1,703,418,000 (31 December 2016: approximately RMB1,848,077,000), respectively. As at 30 June 2017, the Group had bank loans amounting to approximately RMB1,165,826,000 (31 December 2016: approximately RMB1,189,513,000). All of the bank loans were repayable within one year with effective interest rates ranging from 1.29% to 6.50% per annum (31 December 2016: range from 1.42% to 6.50% per annum) and were denominated mainly in EUR, HKD, RMB and USD. The Group’s gearing ratio, which was expressed as a ratio of the bank loans over total equity, was 85.0% as at 30 June 2017 (31 December 2016: 88.2%).

CHARGES ON ASSETS

As at 30 June 2017, bank loans amounting to approximately RMB1,165,826,000 (31 December 2016: approximately RMB1,189,513,000) were secured by pledged deposits of RMB224,200,000 (31 December 2016: pledged deposits of RMB270,000,000).

ASSETS/LIABILITIES TURNOVER RATIO

Average inventory turnover days decreased by 51 days from 128 days as at 30 June 2016 to 77 days as at 30 June 2017. It was mainly attributable to the rebound in revenue during the current period. The average trade receivables turnover days decreased by 1,807 days from 2,978 days as at 30 June 2016 to 1,171 days as at 30 June 2017. This was mainly due to the fact that one of the Group's operating priorities in 2017 was to speed up the settlement of trade receivables and to conduct a detailed assessment of the customer's credit status. The settlement of outstanding trade receivables during the Period was satisfactory. The average trade payables turnover days decreased by 1,060 days from 1,522 days as at 30 June 2016 to 462 days as at 30 June 2017. 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 25 August 2017, the Group received over approximately RMB131.0 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work as at 30 June 2017.

GOING CONCERN BASIS

The Group recorded net cash outflows from operating activities of approximately RMB215,000 for the Period. In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience net operating cash outflows. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2 to the Group's interim financial report.

CONTINGENT LIABILITIES

Saved as disclosed in note 18 to the Group's interim financial report, as at 30 June 2017, 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 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 revenue is minimal.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group had no significant investments held or material acquisitions and disposals during the six months ended 30 June 2017.

EMPLOYEES AND REMUNERATION POLICY

The Group had 1,146 employees as at 30 June 2017 (30 June 2016: 1,350). The total staff costs for the Period were approximately RMB47.2 million (six months ended 30 June 2016: approximately RMB45.0 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.

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 have entered the high-end markets. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifying its business strategy to tackle other competitors.

3. Operational risks

   The Group's operations require a certain number of government approvals and are subject to a broad range of laws and regulations governing various matters. In particular, the continuance of the Group's operations depends upon compliance with applicable environmental, health and safety and other regulations. The Group has already employed an 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 talent

   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 to save energy. All these policies aim at reducing resources 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 of forming a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. Furthermore, the Group places great emphasis on the training and development of employees and regard excellent employees as a key factor in its competitiveness.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors place emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on information available, the Directors take the view that during the six months ended 30 June 2017, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

REPORT OF THE DIRECTORS

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (the "Period").

SHARE OPTION SCHEME

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

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

Grant of Options to connected persons or any of their associates

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

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

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

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

SHARE OPTION SCHEME (continued)

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

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

As at the date of 2016 annual report and this interim report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

SHARE AWARD SCHEME

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

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

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

During the Period, the Company had not purchased any of the Company's existing shares on the market for the purpose of the Share Award Scheme.

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

As at the date of 2016 annual report and this interim report, the trustee held 24,343,000 shares under the Share Award Scheme, representing about 3.15% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2017, the Directors and Chief Executive of the Company had the following interests in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code"):

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

Notes:

(i) The 517,815,000 shares were owned by King Able Limited ("King Able") and 300,000 shares were owned by Bright Rise Trading Limited, both companies owned as to 50% by Mr. Qian Yixiang, and 50% by Ms. Jia Lingxia. Mr. Qian Yixiang and Ms. Jia Lingxia are thus deemed to be interested in those shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 June 2017, none of the Directors and Chief Executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2017, the following person holding interests of 5% or more of the issued share capital of the Company (other than those held by the Directors and Chief Executive of the Company) were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Substantial shareholders			
King Able	Beneficial owner	517,815,000	66.92

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any persons (other than the Directors and Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

UPDATED INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Since January 2016, Mr. Zhang Huaqiao has served as the independent non-executive director of China Rapid Finance Ltd., a company listed on the New York Stock Exchange (Stock Code: XRF) on 28 April 2017.

Mr. Yeung Chi Tat ceased to be the President of the International Financial Management Association Hong Kong headquarters and the independent non-executive director of Ta Yang Group Holdings Limited (Stock Code: 1991), which is listed on the Main Board of the Stock Exchange, on 31 March 2017 and 10 September 2017, respectively. He was appointed as the independent non-executive director of Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), which is listed on the Main Board of the Stock Exchange, on 8 August 2017.

Save as disclosed above, as at 30 June 2017, there had not been any other changes to the Directors and senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential for a continual growth and enhancement of shareholders' value. Throughout the period under review, the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules with the exception of code provisions A.2.1 of the Code which are explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

Code provision A.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code for Directors' securities transactions. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2017 regarding Directors' securities transactions. The Company has also ensured compliance of its employees who are likely to possess inside information in relation to the Company or its securities in respect of their dealings with the Company's securities.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has four members comprising three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong, Mr. Qu Weimin and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.boerpower.com.

The interim report of the Company for the six months ended 30 June 2017 will be dispatched to the shareholders in due course.

APPRECIATION

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

On behalf of the Board
Qian Yixiang
Chairman

Hong Kong, 28 August 2017