博耳电力 BOER POWER

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1685

2019
INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

BDO Limited

LEGAL ADVISER

Stephenson Harwood
Jeffrey Mak Law Firm

INVESTOR AND MEDIA RELATIONS CONSULTANT

Financial PR (HK) Limited

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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COMPANY’S WEBSITE

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I report to shareholders the interim results of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 ("1HY2019" or the "Period").

During the Period, amidst the increasingly challenging macro-economic environment both at home and abroad, the business operation of the Group basically remained stable, showing the technological superiority of Boer Power and the recognition of our efforts to satisfy the needs of our customers. During the Period, the Group provided one-stop comprehensive solutions of diversified low-to-medium voltage intelligent power distribution and energy efficiency management for customers in all walks of life, including data center, communication, municipal works and infrastructures. Upholding the corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment", the Group makes full play of its over 30 years' experience in the research and development and manufacturing of power distribution equipment and put more efforts in developing a larger-scale business. Meanwhile, relying on the "Cloud Smart" data platform, the Group proactively provides its customers with uninterrupted operation and maintenance services all year around, such as monitor of power consumption, real-time data backhaul, energy efficiency analysis and enterprise power consumption data collection. Boer Power enjoys the first-mover advantage through the improvement of power consumption databases of different industries and the establishment of intelligent power distribution and energy conservation solutions for different industries to further improve the economic effectiveness for customers. The Group's "Cloud+" full-cycle products can satisfy the needs of real-time monitor and control, data monitor and remote maintenance by means of modern communication technologies so as to ensure the safe operation of equipment, enabling the Group to become one of the few service providers in the industry capable of providing high-end customized intelligent and energy-saving power distribution solution for multiple industries. As one of the industry-leading enterprises firstly deploying cloud platform service and big data intelligent power distribution ecosystem, Boer Power will continue to explore and update technology and seek to provide more premium and comprehensive services to its customers.

In 2019, the constantly-changing situation of the Sino-US trade friction, combined with the complicated internal and external environment has exerted downward pressure on the domestic economy in general. The Group actively responded to this situation by continuously upgrading and optimizing its intelligent power distribution system, at the same time taking the initiative to consistently implement its prudent operational strategies to ensure stable operation of its businesses. With more stringent internal control and management, more prudent customer and project selection, as well as delayed orders of certain customers under the influence of instabilities in the macro-environment during the period, the sales of the Group decreased to RMB283,782,000 during the period, representing a decrease of 27% as compared to the corresponding period last year. During the period, with regards to the business development in mid-to-long term, the Group has stepped up its efforts in developing customers in new industries and new large-scale and long-term customers, and more emphasis has been placed on the improvement of the recovery cycle of projects, such that the Group took the initiative to benefit the customers, as a result, the Group's gross profit margin decreased to 27.1% in the first half of 2019, representing a year-on-year decrease of 3.6 percentage points. During the period, excluding the impairment loss of trade and other receivables, the Group's EBITDA amounted to RMB22,960,000, remaining positive for two and a half consecutive years.

Benefitted from the Group's continuous implementation of stringent internal management, the progress of collection of receivables was satisfactory during the Period and the provision for impairment of trade and other receivables decreased significantly year-on-year. The balance of both receivables and payables also decreased as at the end of the Period, and the finance costs continued to decrease during the Period. Meanwhile, the Group's cash and cash equivalents as at the end of the Period increased significantly, recording positive operating cash flows for three consecutive years.

In the past three years, the Group had made sufficient provision for doubtful debts, the management, however, will continue to implement the recovery of receivables to minimize the effect of doubtful debts on the financial indicators of the Group. We will adhere to the a prudent operation strategy, perform strict internal control, strengthen risk management, be cautious in selecting clients and projects, maintain strong cash flows to secure the long-term development of Boer Power. In the second half of 2019, with the expansion of domestic market, the economy of China is likely to pick up, which will also benefit the recovery of receivables.

CHAIRMAN'S STATEMENT (continued)

Looking back to 1HY2019, the data center industry was growing faster than ever. Engaged in the data center industry for years, the Group has seized great market share especially relying on its "one-stop data center solution". During the Period, the Group continued to render services to various overseas and domestic leading data center operators and deepened cooperation with many Fortune 500 companies and well-known national communication operators on the operation and maintenance of existing projects and long-term sustainable collaboration of new projects. The Group is committed to providing customized intelligent, energy saving and efficient system solutions and long-term maintenance and consultation services and products to different customers in a sustainable manner. With the evolvement and update of 5G and Internet-of-Things technologies, among other terminal applications, demand of the terminal for access to the internet will grow rapidly. Concurrently, the application of emerging technologies to the internet data centers will be further expanded, which, in turn, drives the market demand for internet data centers. By 2020, the internet data center market of China will usher in a new round of large-scale growth and the market size is expected to exceed RMB200 billion. The Group is fully confident that with its own industry-leading technologies, good reputation, outstanding track records and high-quality products and services, it can seize the market opportunities arising from the big data era to expand sales volume and improve profitability continuously.

From the "Belt and Road" to "manufacturing innovation and startups", it shows the manufacturing industry is both a subject of the real economy and a business based on the internet, and it is undergoing a profound reformation and upgrade toward intelligence and digitalization. From the perspective of the "Belt and Road" Infrastructure Development Index, the Southeast Asia shows strong momentum of development with rising demand for infrastructure construction, which has ranked the first in the list of regions for three consecutive years, implying great market potential. Driven by the upgrade of policy, technological innovation and industry development since 2018, the 2019 "manufacturing innovation and startups" will accelerate to a higher standard, a broader scope and a deeper level as policy dividends continue to release. During the Period, by cooperation with large-scale state-owned general contractors, the Group further expanded its customer base and successfully introduced its products to the rail transit, airport, conference and exhibition center and wharf engineering. With years of technological accumulation and sound reputation in urban rail transit electromechanical field and following the third successful collaboration with Qingdao Metro in 2018, the Group made further achievements in the first half of 2019 by successfully winning the bid for a number of rail transit projects in various cities in China. Besides, the Group has also received long-tern business support from various international industry-leading enterprises, including Schneider. Benefitted from the strong support of national policy and the accelerating development of infrastructure construction, the Group is expected to identify new opportunities in many infrastructure-related sectors, such as the rail transit and waste water treatment.

While keeping is core competitive edge, the Group also actively captures the development opportunities in the countries along the "Belt and Road" and all emerging markets in the world to speed up overseas expansion. By now, the Group has provided services to customers and projects in over 130 countries and regions worldwide. During the Period, the Group participated in a copper mining project of a large state-owned enterprise in Lualaba, Kinshasa, Congo by providing a low-voltage power distribution solution amounted to RMB14 million, allowing the Group to accumulate additional experience in overseas projects. In the future, the Group will fuel the growth of its overseas business by consolidating business promotion resources, expediating local business expansion of its overseas branches and seeking for intensified internal and external cooperation with long-term customers.

During the Period, the Group's focus on the upgrade of the operating efficiency and software system of "Cloud Smart" data platform was not only acknowledged by customers, but also recognized by the government and industry experts, further demonstrating the Group's technological superiority in the sector of power cloud data platform. With increasingly growing data accumulated by "Cloud Smart", the Group will be able to identify the big data of electricity consumption of customers, and upon the analysis of their need, establish targeted industry solutions and provide diversified lifetime services to its customers. Meanwhile, the Group will continue to invest in research and development, consolidate its core competitive edge and lead the development of manufacturing intelligence and industrial informatization.

CHAIRMAN'S STATEMENT (continued)

On behalf of the Board, I would like to express my most sincere gratitude to the tenacious Boer Power staff who have shown execution, innovation and utmost diligence and dedication. It is the staff united as one that makes the Group go through the tough adjustment period and gradually achieved business recovery. I would also like to extend my gratitude to our shareholders, investors, long-term customers and business partners for their continual devotion and consistent support. We will continue to adhere to our initial vision and uphold the pragmatic operation approach in pursuit of development and deliver actual results to reward the trust of all of you.

Qian Yixiang
Chairman

28 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited) *(Note)*
Revenue	5	**283,782**	388,811
Cost of sales	5	**(206,841)**	(269,425)
Gross profit	5	**76,941**	119,386
Other income	6	**3,837**	12,944
Selling and distribution expenses		**(30,910)**	(25,999)
Administrative and other operating expenses		**(49,767)**	(45,965)
Profit of an associate		**5**	–
Change in financial assets at fair value through profit or loss		**1,256**	–
Impairment losses for trade and other receivables	7(c)	**–**	(402,981)
Profit/(loss) from operations		**1,362**	(342,615)
Finance costs	7(a)	**(21,387)**	(25,737)
Loss before taxation	7	**(20,025)**	(368,352)
Income tax (expense)/credit	8	**(311)**	45,625
Loss for the period		**(20,336)**	(322,727)
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		**7,643**	(6,998)
Total comprehensive income for the period		**(12,693)**	(329,725)
Loss attributable to:			
Equity shareholders of the Company		**(19,289)**	(292,415)
Non-controlling interests		**(1,047)**	(30,312)
Loss for the period		**(20,336)**	(322,727)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(11,646)**	(299,413)
Non-controlling interests		**(1,047)**	(30,312)
Total comprehensive income for the period		**(12,693)**	(329,725)
Loss per share (RMB cents)	9		
Basic		**(3)**	(39)
Diluted		**(3)**	(39)

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the modified retrospective approach chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited (Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited) *(Note)*
Non-current assets			
Property, plant and equipment	10	**334,343**	305,627
Investment properties		**116,192**	120,575
Intangible assets		**2,348**	2,814
Lease prepayments		**–**	32,433
Interest in an associate		**551**	546
Financial assets at fair value through profit or loss		**10,350**	9,094
Construction in progress		**1,795**	1,795
Deferred tax assets		**205,925**	205,925
		671,504	678,809
Current assets			
Inventories		**145,126**	105,385
Trade and other receivables	11	**707,712**	943,559
Current tax asset		**–**	3,137
Pledged deposits	12	**139,580**	32,956
Contract costs		**20,842**	20,666
Cash and cash equivalents	12	**83,820**	9,734
		1,097,080	1,115,437
Current liabilities			
Borrowings	13	**717,367**	638,893
Trade and other payables	14	**238,933**	400,706
Obligations under leases		**9,678**	–
Obligations under finance leases		**–**	27,578
Amounts due to related parties	20	**77,012**	–
Current tax liabilities		**21,854**	30,740
		1,064,844	1,097,917
Net current assets		**32,236**	17,520
Total assets less current liabilities		**703,740**	696,329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2019 – unaudited (Expressed in Renminbi)

	Note	**At 30 June 2019 RMB'000 (Unaudited)**	At 31 December 2018 RMB'000 (Audited) *(Note)*
Non-current liabilities			
Borrowings	13	**56,000**	56,000
Amounts due to related parties	20	**384,266**	384,266
Obligations under leases		**85,673**	–
Obligations under finance leases		**–**	65,569
Deferred tax liabilities		**1,408**	1,408
		527,347	507,243
NET ASSETS		**176,393**	189,086
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**160,896**	172,542
Total equity attributable to equity shareholders of the Company		**226,906**	238,552
Non-controlling interests		**(50,513)**	(49,466)
TOTAL EQUITY		**176,393**	189,086

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the modified retrospective approach chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – 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 31 December 2017		66,010	(100,121)	20,710	1,505	252,337	21,436	372	(39,859)	975,477	1,197,867	(9,621)	1,188,246
Impact on initial application of HKFRS 9		–	–	–	–	–	–	–	–	155	155	103	258
Balance at 1 January 2018		66,010	(100,121)	20,710	1,505	252,337	21,436	372	(39,859)	975,632	1,198,022	(9,518)	1,188,504
Loss for the period		–	–	–	–	–	–	–	–	(292,415)	(292,415)	(30,312)	(322,727)
Other comprehensive income		–	–	–	–	–	–	–	(6,998)	–	(6,998)	–	(6,998)
Total comprehensive income for the period		–	–	–	–	–	–	–	(6,998)	(292,415)	(299,413)	(30,312)	(329,725)
Appropriation to statutory reserve		–	–	–	–	1,143	–	–	–	(1,143)	–	–	–
Balance at 30 June 2018		66,010	(100,121)	20,710	1,505	253,480	21,436	372	(46,857)	682,074	898,609	(39,830)	858,779
Balance at 31 December 2018		**66,010**	**(100,121)**	**20,710**	**1,505**	**255,532**	**21,436**	**372**	**(40,900)**	**14,008**	**238,552**	**(49,466)**	**189,086**
Loss for the period		–	–	–	–	–	–	–	–	**(19,289)**	**(19,289)**	**(1,047)**	**(20,336)**
Other comprehensive income		–	–	–	–	–	–	–	**7,643**	–	**7,643**	**–**	**7,643**
Total comprehensive income for the period		–	–	–	–	–	–	–	**7,643**	**(19,289)**	**(11,646)**	**(1,047)**	**(12,693)**
Balance at 30 June 2019		**66,010**	**(100,121)**	**20,710**	**1,505**	**255,532**	**21,436**	**372**	**(33,257)**	**(5,281)**	**226,906**	**(50,513)**	**176,393**

The notes on pages 10 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019	2018
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Operating activities			
Cash generated from operations		**55,606**	137,922
Income tax paid		**(6,060)**	(3,389)
Net cash generated from operating activities		**49,546**	134,533
Investing activities			
Payment for construction in progress		**–**	(1,000)
Payment for purchase of property, plant and equipment		**(2,393)**	(16,371)
Proceeds from property, plant and equipment		**1,481**	–
Placement of pledged deposits		**(133,135)**	(14,249)
Withdrawal of pledged deposits		**26,511**	196,232
Other cash flows arising from investing activities		**217**	4,015
Net cash (used in)/generated from investing activities		**(107,319)**	168,627
Financing activities			
Proceeds from borrowings		**453,400**	370,219
Repayment of borrowings		**(374,926)**	(534,804)
Advance from related parties		**77,012**	654,853
Repayment of advance from related parties		**–**	(767,354)
Payment for interest on borrowings		**(17,989)**	(23,273)
Repayment of obligations under finance leases		**–**	(1,842)
Repayment of obligations under leases		**(5,412)**	–
Other cash flows used in financing activities		**–**	(198)
Net cash arising from/(used in) financing activities		**132,085**	(302,399)
Net increase in cash and cash equivalents		**74,312**	761
Cash and cash equivalents at 1 January	**12**	**9,734**	15,655
Effect of foreign exchanges rates changes		**(226)**	14
Cash and cash equivalents at 30 June	**12**	**83,820**	16,430

The notes on pages 10 to 28 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 (collectively, the "Group") are principally engaged in design, manufacture and sale of electrical distribution equipment, and provision of electrical distribution systems solution services in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorized for issue on 28 August 2019.

The interim financial report has been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the 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 is presented in Renminbi ("RMB"), unless otherwise stated. It contains 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 2018 annual financial statements. The interim financial report and the notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2018 consolidated financial statements.

The interim financial report is unaudited, but has been reviewed by BDO Limited 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. BDO Limited's independent review report to the Board of Directors is included on pages 29 to 30.

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement and going concern assumption

During the six months period ended 30 June 2019, the Group recorded a loss of RMB20,336,000 (30 June 2018: loss of RMB322,727,000 (unaudited)). In addition, as at 30 June 2019, the Group had current liabilities of RMB1,064,844,000, while the Group maintained its cash and cash equivalents of RMB83,820,000 only. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

(ii) the Group has renewed several loan facility agreements with the controlling shareholders and their related parties in 2019 with an effective period of 2-3 years, for general working capital purposes. The loans are non-current, unsecured and non-interest bearing. As at 30 June 2019, the Group's unused loans facilities were RMB685,137,000;

(iii) as at 30 June 2019, the unused bank loans facilities were RMB154,349,000 for providing additional working capital to the Group;

(iv) the Group will continue to follow up settlement from its debtors and expects to generate positive operating cash flows from the recovery of trade receivables for at least twelve months from the end of reporting period;

(v) the Group has prepared a profit and cash flow forecasts for at least twelve months from the end of reporting period. Based on the forecasts, the Group's operations are expected to generate positive operating cash flows during that period; and

(vi) during the six months ended 30 June 2019, the Group has renewed its short term bank borrowings of RMB192,000,000 and obtained new borrowings of RMB261,400,000. The Directors of the Company, based on their ongoing discussions with the Group's bankers, expect the Group's bankers to renew the existing bank facilities as they fall due.

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

(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Except HKFRS 16 Leases, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use ("ROU") assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group's lease contracts do not contain non-lease components.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

B. Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as ROU assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group has elected not to recognize ROU assets and lease liabilities for some short term leases (i.e. leases with lease terms of twelve months or less at the commencement date) and those with remaining terms less than twelve months. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognizes a ROU asset and a lease liability at the commencement date of a lease.

ROU asset

The ROU asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group has elected to present the ROU assets in 'property, plant and equipment' applying a cost model. Under the cost model, the Group measures the ROU assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

C. Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated interim financial statements.

D. Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise the ROU assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17, and on a lease-by-lease basis, to measure the ROU asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. For all these ROU assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise the ROU assets and lease liabilities for leases with term that will end within twelve months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to apply the modified retrospective approach over the adoption of HKFRS 16, for those finance leases under HKAS 17, the ROU assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

E. Impact of the adoption of HKFRS 16

The Group has applied the simple variation of the modified retrospective approach where the ROU asset is recognised on the date of initial application as an amount equal to the lease liability. Therefore there is no impact on equity at the date of initial application.

The following table summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

Statement of financial position as at 1 January 2019	RMB'000
Increase in property, plant and equipment	33,794
Decrease in lease prepayments	(32,433)
	1,361
Decrease in obligations under finance leases	(93,147)
Increase in obligations under leases	94,508
	1,361

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application and recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities	RMB'000
Operating lease commitments as of 31 December 2018	2,395
Less:	
Exemption for short term leases	(931)
Operating lease liabilities before discounting as of 31 December 2018	1,464
Effect from discounting at incremental borrowing rate as of 1 January 2019	(103)
Operating lease liabilities recognised as of 1 January 2019	1,361
Add:	
Obligations under finance leases as of 31 December 2018	93,147
Total lease liabilities as of 1 January 2019	94,508

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 6.89%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this interim financial report, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

5. REVENUE AND SEGMENT REPORTING

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

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

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

The Group has four (30 June 2018: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

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

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

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

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

  Revenue from the EE Solutions segment arises from the sales of energy efficiency solutions, EPC contracts and sale of electricity.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

5. REVENUE AND SEGMENT REPORTING (continued)

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

	EDS Solutions RMB'000	iEDS Solutions RMB'000	EE Solutions RMB'000	CSP Business RMB'000	Total RMB'000
Six months ended 30 June 2019 (unaudited)					
Revenue					
Timing of revenue recognition					
At a point in time	**371**	**158,765**	**54,821**	**68,952**	**282,909**
Over time	**–**	**–**	**873**	**–**	**873**
Total	**371**	**158,765**	**55,694**	**68,952**	**283,782**
Cost of sales	**(287)**	**(117,753)**	**(28,056)**	**(60,745)**	**(206,841)**
Gross profit	**84**	**41,012**	**27,638**	**8,207**	**76,941**
Depreciation and amortization included in cost of sales	**2**	**1,356**	**4,247**	**4,876**	**10,481**

	EDS Solutions RMB'000	iEDS Solutions RMB'000	EE Solutions RMB'000	CSP Business RMB'000	Total RMB'000
Six months ended 30 June 2018 (unaudited)					
Revenue					
Timing of revenue recognition					
At a point in time	197	167,962	125,561	92,648	386,368
Over time	–	–	2,443	–	2,443
Total	197	167,962	128,004	92,648	388,811
Cost of sales	(147)	(123,079)	(70,710)	(75,489)	(269,425)
Gross profit	50	44,883	57,294	17,159	119,386
Depreciation and amortization included in cost of sales	6	5,338	3.040	3,300	11,684

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

5. REVENUE AND SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**10,481**	11,684
Administrative and other operating expenses	**11,117**	7,725
	21,598	19,409

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

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

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income from financial institutions	**217**	3,115
Government grants^	**165**	8,008
Gain on disposal of property, plant and equipment	**1,393**	–
Net unrealised gain on unlisted equity investment	**–**	240
Others	**2,062**	1,581
	3,837	12,944

^ Government grants for the period ended 30 June 2018 were received from the government of the PRC mainly for reallocation compensation. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

7. LOSS BEFORE TAXATION

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

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
(a)	Finance costs:		
	Interest on borrowings	**17,989**	22,447
	Finance charges on obligations under leases	**3,398**	3,290
		21,387	25,737
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**4,325**	4,354
	Salaries, wages and other benefits	**46,957**	45,073
		51,282	49,427
(c)	Other items:		
	Amortization of intangible assets	**533**	369
	Amortization of lease prepayments	**726**	687
	Depreciation	**20,339**	18,353
	Impairment losses for trade and other receivables	**–**	402,981
	Short term lease payments	**771**	–
	Operating lease charges in respect of properties:		
	minimum lease payments	**–**	2,220
	Research and development costs (other than staff costs)	**718**	402
	Net gain on disposal of property, plant and equipment	**(1,393)**	(4,381)
	Net foreign exchange income	**(149)**	(4,596)
	Net gain on forward foreign exchange contracts	**–**	(6,440)
	Cost of inventories#	**203,063**	263,674

\# Cost of inventories includes RMB25,987,000 (six months ended 30 June 2018: RMB25,829,000) relating to staff costs, depreciation and amortization expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 7(b) and (c) for each of these types of expenses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

8. INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**311**	3,077
Over-provision in respect of prior period	**–**	(403)
Dividends withholding tax *(note (iv))*	**–**	6,935
Deferred tax		
Origination and reversal of temporary differences		
– Dividends withholding tax *(note (iv))*	**–**	3,137
– Others	**–**	(58,371)
	311	(45,625)

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 Mexico, Indonesia, Spain and Australia as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to Mexican, Indonesian, Spanish and Australian Corporate/Company Taxes during each of the six months ended 30 June 2019 and 2018.

(iii) PRC income tax

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

(iv) Dividends withholding tax

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

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

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

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB19,289,000 (six months ended 30 June 2018: loss attributable to equity shareholders of the Company of RMB292,415,000) and the weighted average number of 749,426,000 ordinary shares (six months ended 30 June 2018: 749,426,000 ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Issued ordinary shares at 1 January	**773,769**	773,769
Effect of shares held for share award scheme *(note 15)*	**(24,343)**	(24,343)
Weighted average number of ordinary shares at 30 June	**749,426**	749,426

(b) Diluted loss per share

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2019 and 2018, and therefore, diluted loss per share is the same as the basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

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

(b) As at 30 June 2019, certain buildings with carrying value of RMB88,374,000 (31 December 2018: RMB91,734,000) have been pledged to a bank as security for bank loans (see note 13(c)).

(c) As at 30 June 2019, the Group was in the process of obtaining the property ownership certificates in respect of certain properties located in PRC with carrying value of RMB18,605,000 (31 December 2018: RMB19,110,000).

(d) Upon the adoption of HKFRS 16, the Group reclassified the lease prepayments for land use rights to property, plant and equipment (see note 3E). The Group's land is located in the PRC, and the Group is granted with land use rights for a period of 50 years. As at 30 June 2019, the land use rights with carrying value of RMB30,526,000 (31 December 2018: RMB30,895,000) have been pledged to a bank as security for bank loans (see note 13(c)).

(e) For leased equipment which previously were classified as finance leases under HKAS 17, the ROU assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, loans to customers, and retention receivables	**608,074**	740,417
Bills receivables	**–**	2,594
Trade and bills receivables	**608,074**	743,011
Prepayments, deposits and other receivables	**99,638**	200,548
Trade and other receivables	**707,712**	943,559

At 30 June 2019, the Group had endorsed bank acceptance bills to its suppliers which are not yet due totaling RMB137,036,000 (31 December 2018: RMB131,289,000). These bank acceptance bills were derecognised by the Group (the "Derecognised Bills"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The Derecognised Bills generally have maturity dates of 180 days, and the Group in general endorses the bank acceptance bills equivalent to their face value. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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 the respective receivables directly.

Ageing analysis of trade receivables, loans to customers and retention receivables

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**168,298**	233,053
Over 3 months but within 6 months	**80,023**	85,620
Over 6 months but within 1 year	**151,272**	137,648
Over 1 year	**208,481**	284,096
At 30 June	**608,074**	740,417

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

12. CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash and bank balances	**223,400**	42,690
Less: Pledged deposits	**(139,580)**	(32,956)
Cash and cash equivalents	**83,820**	9,734

Bank deposits have been pledged to the banks for bank loans (see note 13(c)), bank acceptance bills issued to suppliers and quality guarantee issued to customers. These deposits will be released upon relative due dates.

13. BORROWINGS

(a) The analysis of the carrying amount of borrowings is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans		
– secured	**667,400**	426,880
– unsecured	**42,967**	205,013
Secured entrusted loans	**63,000**	63,000
	773,367	694,893

(b) Borrowings were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	**717,367**	638,893
After 1 year but within 2 years	**56,000**	56,000
	773,367	694,893

(c) Borrowings were secured by the following assets:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Property, plant and equipment *(note 10)*	**118,900**	91,734
Lease prepayments *(note 10)*	**–**	30,895
Pledged deposits *(note 12)*	**90,000**	–
	208,900	122,629

At 30 June 2019, the effective interest rates of the borrowings of the Group were in the range from 4% to 9% per annum (31 December 2018: range from 2% to 9% per annum).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

14. TRADE AND OTHER PAYABLES

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Due within 1 month or on demand	**133,363**	72,712
Due after 1 month but within 3 months	**3,752**	31,726
Due after 3 months but within 6 months	**2,001**	30,413
Trade and bills payables	**139,116**	134,851
Receipts in advance	**921**	8,468
Other payables and accruals	**98,896**	257,387
	238,933	400,706

15. SHARE AWARD SCHEME

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

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

During the six months ended 30 June 2019 and the year ended 31 December 2018, no shares were granted to any employees of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

16. DIVIDENDS

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

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

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

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

17. CONTINGENT LIABILITIES

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

18. FINANCIAL GUARANTEE ISSUED

As at 30 June 2019, the Group did not have financial guarantees in respect of loans made by finance company to the Group's debtors (31 December 2018: RMB367,000).

19. 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 2019 not provided for in the interim financial report were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Authorised but not contracted for	**102,950**	102,950

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

20. MATERIAL RELATED PARTY TRANSACTIONS

(a) Financial assistance from related parties

During the period ended 30 June 2019, the Directors are of the view that the following parties are related parties of the Group:

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

20. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties

(i) Net outstanding amounts owed to related parties

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Name of party		
Mr. Qian Yixiang and Boer Singapore	**154,797**	154,797
Ms. Jia Lingxia	**86,640**	9,628
King Able	**22,575**	22,575
Wuxi Boer	**179,624**	179,624
Bright Rise	**17,566**	17,566
Boer Smart	**76**	76
	461,278	384,266

(ii) Loans from related parties

Loans facilities granted from related parties

Pursuant to several loan facility agreements signed in 2019, the related parties as lenders and the Group as borrower, loan facilities were granted to the Group for its general working capital purposes.

Those loans are all unsecured, non-interest bearing and repayable according to the terms of agreements.

	At 30 June 2019	At 31 December 2018
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	**HK$2,000,000**	HK$2,000,000
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**RMB300,000,000**	RMB300,000,000
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**RMB100,000,000**	RMB100,000,000
Mr. Qian Yixiang and Boer Singapore	**RMB200,000,000**	RMB200,000,000
Boer Smart	**RMB35,000,000**	RMB35,000,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

20. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(iii) Unused loans facilities

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Name of party		
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**402,199**	478,886
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**120,376**	120,376
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**82,434**	82,434
Mr. Qian Yixiang and Boer Singapore	**45,203**	45,203
Boer Smart	**34,925**	34,925
	685,137	761,824

(b) Financial guarantee received from related parties

At 30 June 2019, borrowings amounting to RMB232,000,000 were guaranteed by Mr. Qian Yixiang, Ms. Jia Lingxia and Shanghai Changcheng (31 December 2018: RMB236,880,000).

21. EVENT AFTER THE REPORTING PERIOD

On 19 July 2019, Boer Energy Jiangsu Co., Ltd. (a subsidiary of the Company, the Vendor) and Shanghai Huxi Property Management Co., Ltd. (a connected party of the Company, the Purchaser), entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase, the equity interests of Wuxi Yunneng Electricity Sale Service Co., Ltd. (a direct wholly-owned subsidiary of the Vendor, the Target Company) for a cash consideration of RMB4,910,000. Details of the transaction were disclosed in the Company's announcement dated 19 July 2019.

REVIEW REPORT

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REVIEW REPORT TO THE SHAREHOLDERS OF BOER POWER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 28 which comprises the consolidated statement of financial position of Boer Power Holdings Limited ("the Company") and its subsidiaries (together "the Group") as of 30 June 2019 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 interim financial information consists of making inquiries, 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 information is not prepared, in all material respects, in accordance with HKAS 34.

REVIEW REPORT (continued)

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the interim financial information, which discloses that the Group recorded a loss of RMB20,336,000 for the six months ended 30 June 2019 and as at 30 June 2019, had current liabilities of RMB1,064,844,000, while the Group maintained its cash and cash equivalents of RMB83,820,000 only. As stated in Note 2(b), these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

OTHER MATTER

The interim financial information of the Group for the six months ended 30 June 2018, was reviewed by another auditor who expressed an unmodified conclusion with a "Material Uncertainty Related to Going Concern" paragraph on those statements on 15 August 2018.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate No. P06095
Hong Kong, 28 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2019 ("1HY2019" or the "Period"), the political and economic situation, global or regional, was mixed and volatile with frequently-occurred headwinds, such as the intensified Sino-US trade friction and the depreciation of Renminbi, which led to a downward pressure on the overall economy of China and acute structural imbalance. In 1HY2019, the economy of China maintained a "weakened but stable" growth, and is expected to see a 6.3% Gross Domestic Product ("GDP") growth in 1HY2019, down by 0.5% year-on-year, which is the lowest GDP growth since 1990.

With the rapid development of the power industry in China, in the view of good progress of the power transmission and distribution technology and management capability, together with the effect of rising living standard, extreme temperature and smog combat, the electricity consumption demand in the society increased continuously. In 1HY2019, the total electricity consumption of China was 3,400 billion KWH, representing a year-on-year increase of 5.0%, a relatively high growth in recent years, though fell back compared with the previous year. During the Period, a total of RMB164.4 billion was invested in the national grid infrastructure construction projects. Accompanied by the expansion of the construction scale of domestic smart grid, the number of power transmission and distribution equipment projects will also increase.

As a national strategy, big data strategy has been continuously implemented in China in the recent two years in a sustainable and rapid manner. Backed by the development of technology, data source and derivatives, the information data of China have increased rapidly. As estimated by International Data Corporation ("IDC"), the total amount of the global data sphere will grow by approximately 50% per annum to 40ZB by 2020, of which, China is expected to generate 8.6ZB of data, accounting for approximately 21% of the global data. The big data application market share of China is expected to reach 40%, which will drive the growth of the number of data centers in China and put higher requirement on the existing data centers to improve their own technologies. The data center industry is growing faster than ever. Requirements of the internet industry giants on flow processing by the data centers tend to be more specific, more energy efficient, faster and safer in order to better cater for the demand of different industries, which presents greater potential opportunity to the intelligent power distribution system and energy efficiency management service enterprises, and further promotes the sales of the Group's "One-stop Data Center Solution".

In 1HY2019, the industrial production was stably improved. The added value in the industry above large scale increased by 6% year-on-year, which is in the range of the estimated annual growth target, of which, the added value of the manufacturing industry increased by 6.4% year-on-year. China officially granted 5G commercial license in 6 June 2019, starting a new era of 5G commercialization. The whole industrial system of China is constantly integrating with 5G, among other high technologies, to expedite its upgrade. Further, in the context of the government's strong efforts in developing as a manufacturing power and network power, the telecommunication business maintained a positive momentum, increasing by 25.7% year-on-year in terms of total volume. The fixed asset investment of China (excluding farmers) in 1HY2019 increased by 5.8% year-on-year to RMB29,910 billion.

For overseas markets, the energy infrastructure construction focusing on power grid connect is also becoming an effective carrier of the facility connection of the "Belt and Road" and has made a breakthrough. Capitalizing on their core competitiveness, global corporate presence and business reach and market-oriented operation, the power companies in China are attracting more and more countries and regions to start and deepen multi-field cooperation, thus creating broader market space for the development of the intelligent power distribution system.

BUSINESS REVIEW

During the Period, facing unstable factors in the macro-economy such as intensifying international trade wars and further depreciation of Renminbi, combined with considerations given to the sustainable development of the Group in mid-to-long term, the Group has actively adopted and consistently implemented prudent operation strategies. In terms of project selection, the Group prudently verified and strictly controlled risks of the projects; while in terms of customer selection, the Group has considered aspects such as repayment record and credit condition of the customers, hence resulting in a decrease in the number of completed projects during the Period. Meanwhile, as affected by the above unstable factors in the macroeconomy, some domestic customers postponed the shipment during the Period. As a result, the sales of the Group decreased to RMB283,782,000 during the Period, representing a decrease of 27.0% as compared to last year.

During the Period, in order to develop customers in new industries and new large-scale and long-term customers, at the same time optimizing the recovery cycle of projects, the Group took the initiative to benefit customers and hence resulted in a decrease in the Group's gross profit margin to 27.1% in the first half of 2019, representing a year-on-year decrease of 3.6 percentage points.

During the Period, the Group continued to maintain a positive EBITDA of RMB22,960,000. Benefitted from the Group's continuous implementation of stringent internal management, the progress of collection of receivables was satisfactory during the Period and there was no further substantial provision for impairment of trade and other receivables. As such, the net loss of the Group decreased significantly year-on-year to a loss of RMB20,336,000 during the Period.

As the Group continued to implement stringent internal management and strengthen the collection of receivables during the Period, the balances of both receivables and payables have decreased, the finance cost kept decreasing during the Period and the cash and cash equivalents of the Group as at the end of the Period have increased significantly, recording positive operating cash flows for three and a half consecutive years. During the Period, the business of the Group can be divided into the following four segments:

– Energy Efficiency Solutions ("EE Solutions");

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

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

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

As more and more application scenarios have been unlocked by the Internet of Things, from the smart factories of manufacturing industry to the intelligent household appliances in tens of thousands of households, the Internet of Things is gradually penetrating into all industries. Meanwhile, the demand for intelligent power distribution terminal equipment and ecosystems with high security and reliability, real-time monitoring, quasi-load control, big data collection, remote operation and maintenance service and accurate analysis is increasingly growing. With over 30 years of experience in the research and development and manufacturing of power distribution equipment, the Group is among the earliest to develop cloud service and ecosystem for big data intelligent power distribution, which was further upgraded and launched as "Cloud Smart" data platform in 2012 for the purpose of collecting, consolidating and analyzing power consumption related data from a large number of customers across diverse industries to improve the power consumption database of different industries. Coupled with Boer Power's years of accumulation in the power distribution database technology, the Group was able to develop a power distribution system solution in response to the electricity demand of different industries. Therefore, the Group can provide professional maintenance service for users' distribution equipment so as to ensure the safe and reliable operation and energy efficiency thereof. Through cloud platform, the Group can perform uninterrupted monitoring, data collection and postback and real-time energy efficiency analysis to electrical terminal equipment via Internet to secure the safe operation of equipment, reduce operating cost and bring real economic efficiency to the customers, which enables the Group to become one of the few service providers in the industry capable of providing high-end customized intelligent and energy-efficient power distribution solutions for diverse industries, and therefore enjoy first-mover advantages.

BUSINESS REVIEW (continued)

Committed to the data center industry for years, the Group will continue to view "One-stop Data Center Solution" as a propeller of its sales. During the Period, the Group continued to collaborate with various leading overseas and domestic data center operators which it had served for years. Meanwhile, the Group has provided services for, and entered into long-term good cooperation with, many Fortune Top 500 companies in the world and well-known leading telecommunication operators in China, constantly established intelligent, energy conservative and highly efficient system power distribution solutions for various clients, and provided long-term maintenance and consultancy services and products.

In terms of overseas business, in 2019, the "Belt and Road" Infrastructure Development Index remained at a stable and high level, though dropped slightly to 119 from 121 in 2018. As for the score of the "Belt and Road" Infrastructure Development Index, the Southeast Asia region has kept a strong momentum and ranked top for three consecutive years; Ranks of the South Asia, the West Asia and North Africa each move up one place over last year. Attributable to the giant population base, fast-growing economic power and relatively favorable infrastructure environment, the demand for infrastructure construction in the Southeast Asia kept thriving, implying great potential for investment and construction in the fields of energy and transportation and also providing great potential business opportunity for the intelligent power distribution products and services of the Group. Leveraging its industry-leading technology, good reputation, remarkable track record and high-quality products and services, the Group proactively captured the opportunities to speed up its overseas development by expanding its long-term customer base though its 5 overseas branches. So far, the Group has served customers and projects in over 130 countries and regions worldwide. During the Period, the Group participated in a copper mining project of a large state-owned enterprise in Lualaba, Kinshasa, Congo by providing a low-voltage power distribution solution worth approximately RMB14 million, allowing the Group to accumulate additional experience in overseas project.

According to China Association of Metros, by the end of 2018, 35 cities in China (excluding Hong Kong, Macau and Taiwan) have operating rail transit systems. It is estimated that the urban rail transit operating mileage of China will reach 7,160 kilometers by 2019 and exceed 10,000 kilometers by 2022. In the future, the construction of infrastructure, especially transportation projects, will be of great importance. With years of experience in the sector of electromechanical product and service of urban rail transit as well as abundant technological and product reserves and sound reputation in the industry, the Group has provided services for numerous urban rail transit projects in China. Following the third successful collaboration with Qingdao Metro in 2018, the Group made further achievements in the first half of 2019 by successfully winning the bid for a number of urban rail transit projects in various cities in China.

Besides, in recent years, as the government's awareness of environmental protection improves continuously, a series of supportive policies, including the "10 measures for water" and the "13th Five-Year Plan", have been released, bringing vast market potential for the development of the waste water treatment industry. In the following years, in the context of further regulated Public-Private Partnership model and strengthening special projects, "water pollution combat" and the convening of environmental conference, the demand for waste water treatment will be released at a faster pace and bring great potential for the development of the industry. The Group is committed to providing diversified services for various infrastructure construction and municipal construction projects, including power distribution solution to the airport, convention and exhibition center and wharf engineering, as well as customized intelligent electrical distribution systems to buildings, rail transit and waste water treatment plant. Meanwhile, the Group also maintains good long-term cooperation with many international industry-leading enterprises, including Schneider. With increasingly growing data accumulated on "Cloud Smart" platform, the Group is able to establish targeted intelligent power distribution and energy efficient solutions to each key industry, provide long-term maintenance and consultation service, make personalized custom-tailor solution upon the request of its clients and also provide diversified lifetime service to its clients.

During the Period, Boer Power continued to invest in research and development to maintain its leading technological position in the field of power cloud data platform. Through big data platform, the Group identifies the electricity consumption big data and, upon analyzing customer demand, develops personalized solution to the power distribution demand of different industries and continues optimizes the operating efficiency of "Cloud Smart" platform and software operating system to improve the income of value-added services. Besides, as an industry leader in introducing big data intelligent power distribution and cloud service, the Group will continue to lead the development of intelligent manufacturing and industry informatization.

During the Period, the Group continued to strengthen its internal management and strive to improve its assets and liabilities structure and cash flow level. During the Period, net cash inflow from operating activities was positive.

BUSINESS REVIEW (continued)

The total revenue of the Group amounted to approximately RMB283,782,000 for the six months ended 30 June 2019, representing a decrease of 27.0% as compared to the same period of last year. The decrease was mainly attributable to the postponement in the delivery of our products for certain projects due to our customers' implementation schedules and the slowdown of economy in China.

The total loss attributable to the equity shareholders of the Company amounted to approximately RMB19,289,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: loss of approximately RMB292,415,000). The decrease in loss was mainly due to significant impairment provision made for trade and other receivables for the six months ended 30 June 2018.

As at 30 June 2019, the total assets of the Group were approximately RMB1,768,584,000 (31 December 2018: approximately RMB1,794,246,000) while the total liabilities were approximately RMB1,592,191,000 (31 December 2018: approximately RMB1,605,160,000) and the total equity of the Group amounted to approximately RMB176,393,000 (31 December 2018: approximately RMB189,086,000).

OPERATION AND FINANCIAL REVIEW

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 2019 was approximately RMB158,765,000 (six months ended 30 June 2018: approximately RMB167,962,000), which accounted for approximately 56.0% (six months ended 30 June 2018: approximately 43.2%) of the Group's total revenue for the Period. The decrease in the revenue of iEDS Solutions was approximately 5.5% for the six months ended 30 June 2019 as compared to the same period last year. The decrease in the revenue of this business segment was mainly due to the customer order decreased. In particular, certain customers of large-scale projects delayed their implementation schedules which delayed the delivery of our products. The gross profit of this business segment was approximately RMB41,012,000 (six months ended 30 June 2018: approximately RMB44,883,000), representing a decrease of approximately 8.6% as compared to the same period last year.

The gross profit margin of iEDS Solutions segment decreased from approximately 26.7% for the six months ended 30 June 2018 to approximately 25.8% for the Period which was mainly due to a large project with higher profit margin was completed in same period last year which increased the overall profit margin. However, the projects in current period were relatively small with lower profit margin.

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 2019 was approximately RMB55,694,000 (six months ended 30 June 2018: approximately RMB128,004,000), which accounted for approximately 19.6% (six months ended 30 June 2018: approximately 32.9%) of the Group's total revenue for the Period. Revenue of EE Solutions for the six months ended 30 June 2019 decreased by approximately 56.5% as compared to the same period last year. The decrease in the sales of this business segment was resulted from the postponement in the delivery of our products for certain projects to fit in our customers' implementation schedules and decrease in sales orders caused by slowdown economy. The gross profit of this business segment was approximately RMB27,638,000 (six months ended 30 June 2018: approximately RMB57,294,000), representing a decrease of approximately 51.8% as compared to the same period last year.

The gross profit margin of EE Solutions segment increased from approximately 44.8% for the six months ended 30 June 2018 to approximately 49.6% for the Period because the Group strictly controlled the cost and certain projects were secured with higher gross profit for current period.

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 2019 was approximately RMB68,952,000 (six months ended 30 June 2018: approximately RMB92,648,000), which accounted for approximately 24.3% (six months ended 30 June 2018: approximately 23.8%) of the Group's total revenue for the Period. Due to delay in delivery of iEDS and EE projects, which led to demand for related parts decreased, a decrease in the revenue of CSP Business of approximately 25.6% for the six months ended 30 June 2019 was recorded. The gross profit of this business segment was approximately RMB8,207,000 (six months ended 30 June 2018: approximately RMB17,159,000), representing a decrease of approximately 52.2% as compared to the same period last year.

OPERATION AND FINANCIAL REVIEW (continued)

The gross profit margin of CSP Business segment decreased from approximately 18.5% for the six months ended 30 June 2018 to approximately 11.9% for the Period. The decrease in gross profit margin was resulted from cost of materials increased while the selling price level kept unchanged.

PROSPECT

Looking forward to the second half of 2019, facing complicated and changing foreign and domestic environments in the future, the Group will continue to maintain its core competitive advantages by adhering to the prudent operating strategy. The Group will seize market opportunities to constantly upgrade and optimize the Intelligent Electrical Distribution System so as to proactively resume the growth of sales. Meanwhile, the Group will consolidate its level of gross profit margin through continuous control of production costs and optimization of the product structure. The Group will continue to strengthen its refined management to improve the efficiency and stabilize the sales expense ratio, thereby gradually reducing management expenses and improving the profitability. Despite the background of the weak recovery of global economy, the deglobalization and the rising trend of trade protectionism, there will be no change to the fundamental that the Chinese economy is in a smooth operation. With the continuous growth of the domestic market, the domestic economy will be likely to steadily recover in the future. Besides, the global emerging markets flourish and many developing countries urgently need to develop their infrastructure, the Company therefore will firmly seize the market opportunity to further expand its business.

As the techniques in terminal application scenarios such as 5G and Internet of Things evolve and upgrade, the amount of demands for access to internet by the terminal will witness a rapid growth. Meanwhile, the emerging technologies will also further expand their application scenarios on the Internet data center service, leading to rising demands in the Internet data center service market. It is expected that in 2020 the Internet data center service market in China will experience a new round of substantial growth with the scale of the market exceeding RMB200 billion. The Group believes that by leveraging the Group's advantages established in the data center industry over the years, the "One-stop Data Center Solution" of Boer Power will become the Group's major driver to seize the huge sales market. The module data center has entered the stage of production and application on a large scale. The module data center featuring efficient, flexible, rapid and energy-saving characteristics has solved a number of problems in the construction and operation of data center, rapidly applying in various industries such as Internet, telecommunication, finance, government and etc.. The Group is optimistic that with the long-term cooperation relationship with top data center operators and telecommunications companies at home and abroad, the leading technology advantages in the industry and the rich project management experience, the Group will be able to continuously expand its market share in this Blue Ocean.

In the first half of 2019, there existed a certain downturn pressure on the investment in the manufacturing industry and the investment in the domestic fixed assets showed a steady trend with the investment in the medium-and-high end manufacturing industry and modern service industry becoming major drivers, the investment in the infrastructure showing slight growth, and the investment in the central and western parts of China continuing to have leading speed of growth. Looking forward to the second half of 2019, a new batch of major projects will commence to construct immediately, involving 8 railways, 4 highways, 2 water conservancy projects with total investment of hundreds of billions yuan. Benefited from the significant increase in investment in the second half of the year, infrastructure projects will be on a fast track and it is expected to bring new opportunities to the Group's business development in various infrastructure-related sectors such as rail transit and sewage treatment. Meanwhile, since China accelerates the promotion of "Made in China 2025", the upgrading of manufacturing industry, to actively head to digitalization and intelligence, the Group is particularly positive about the additional orders to the Group from our long-term customers of new energy, fast moving consumer goods, data center and communications, many of which are high quality and large-scale international brands and Fortune Top 500 companies. It is expected that the global industrial intelligence upgrade will help the Group to secure more orders from overseas companies, leveraging on the global business network within our high quality and long-term customers.

PROSPECT (continued)

In terms of overseas market, from the perspective of future development trend, driven by the accelerating progress of industrialization and urbanization in the relevant countries including the Southeast Asia, the Middle East and Africa, the demands for the construction of the transport infrastructure worldwide will be further released, therefore the projects for interconnection of infrastructures such as relevant highways, railways, harbors and airports will bring more fuel to the construction and development of the international infrastructures. The Group will continue to proactively seize the huge business opportunities arising from the increasing demands of large developing countries such as the Southeast Asia, the Middle East and Africa for infrastructure, through consolidation of business promotion resources and strengthening the sales capability of various branch institutions worldwide to further expand the Group's business volume in the above regions. As the Group believes that active economic development in the developing countries will continuously stimulate the growth of local infrastructure investment, the Group will capture the economic growth in regions within its business coverage to establish its business presence in such regions.

In the second half of 2019, the Group will continue to focus on restoring sales growth and increasing sales scale to gradually increase the level of gross profit margin. The Group will reduce operation expenses through refined management. Meanwhile, the Group will continue to tighten the internal control, continuously focus on recovery of trade receivables and enhance recovery of historic doubtful debts so as to optimize asset-liability structures, gradually reduce the financial costs to ultimately improve the profitability of the Company and create greater value for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, financial asset at fair value through profit or loss, trade and other receivables, trade and other payables, amounts due to related parties and obligations under leases and borrowings. As at 30 June 2019, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB83,820,000 (31 December 2018: approximately RMB9,734,000), approximately RMB32,236,000 (31 December 2018: approximately RMB17,520,000) and approximately RMB703,740,000 (31 December 2018: approximately RMB696,329,000), respectively. As at 30 June 2019, the Group had borrowings amounting to approximately RMB773,367,000 (31 December 2018: approximately RMB694,893,000). Borrowings were repayable within one to two years with effective interest rates ranging from 4.0% to 9.0% per annum (31 December 2018: range from 2.0% to 9.0% per annum). Cash and cash equivalents and borrowings were denominated mainly in EUR, HKD, RMB and USD. The Group's gearing ratio, which was expressed as a ratio of the borrowings over total equity, was 438.4% as at 30 June 2019 (31 December 2018: 367.5%).

CHARGES ON ASSETS

As at 30 June 2019, borrowings amounting to approximately RMB667,400,000 (31 December 2018: approximately RMB426,880,000) were secured by property, plant and equipment of approximately RMB118,900,000 (31 December 2018: approximately RMB91,734,000), pledged deposit RMB90,000,000 (31 December 2018: nil) and nil of lease prepayments (31 December 2018: approximately RMB30,895,000).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days increased by 35 days from 75 days during the six months ended 30 June 2018 to 110 days in the Period. It was mainly attributable to the delay in the delivery of our products for certain projects due to our customers' implementation schedules. The average trade receivables turnover days decreased by 346 days from 777 days during the six months ended 30 June 2018 to 431 days in the Period. This was mainly due to the fact that one of the Group's operating priorities in 2019 was to speed up the settlement of trade receivables and to conduct a detailed assessment of the customer's credit status. The average trade payables turnover days decreased by 73 days from 193 days during the six months ended 30 June 2018 to 120 days in the Period. It was mainly because the Group, after receiving payment of trade receivables, applied part of the payment in settling trade payables.

As at 23 August 2019, the Group received approximately RMB109,602,000 from customers for settlement of outstanding trade receivables, loans to customers, retentions receivable and bills receivable as at 30 June 2019.

GOING CONCERN BASIS

During the Period, the Group recorded a loss of RMB20,336,000 (30 June 2018: loss of RMB322,727,000 (unaudited)). In addition, as at 30 June 2019, the Group had current liabilities of RMB1,064,844,000, while the Group maintained its cash and cash equivalents of RMB83,820,000 only. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Details of the going concern basis have been set out in note 2(b) to the Group's interim financial information.

CONTINGENT LIABILITIES

Saved as disclosed in note 17 to the Group's interim financial report, as at 30 June 2019, 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. Moreover, financial instruments are employed by the Group to minimize foreign exchange rate risk.

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

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group had no significant investments held or material acquisitions and disposals during the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICY

The Group had 948 employees as at 30 June 2019 (as at 30 June 2018: 1,108). The total staff costs for the Period were approximately RMB51,282,000 (six months ended 30 June 2018: approximately RMB49,427,000). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Commercial risks

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

2. Market risks

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

3. Operational risks

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

RELATIONSHIP WITH EMPLOYEES

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

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on information available, the Directors take the view that during the six months ended 30 June 2019, 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 2019.

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.

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

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

As at the date of 2018 annual report and this interim report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

SHARE AWARD SCHEME

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

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

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

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

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

As at the date of 2018 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 2019, 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	521,115,000[i]	67.35
Ms. Jia Lingxia	Interest of controlled corporation	521,115,000[i]	67.35
Mr. Zha Saibin	Beneficial owner	780,000	0.10
Mr. Yeung Chi Tat	Beneficial owner	50,000	0.01

Note:

(i) The 520,815,000 shares were owned by King Able Limited ("King Able") and 300,000 shares were owned by Bright Rise Trading Limited, both companies owned as to 50% by Mr. Qian Yixiang, and 50% by Ms. Jia Lingxia. Mr. Qian Yixiang and Ms. Jia Lingxia are thus deemed to be interested in those shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	520,815,000	67.31

Save as disclosed above, as at 30 June 2019, 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 2019, 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

As at 30 June 2019, 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.

REPORT OF THE DIRECTORS (continued)

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 2019 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 2019.

AUDIT COMMITTEE

The Audit Committee of the Company has three members comprising three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong and Mr. Qu Weimin. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company and the external auditor of the Company, BDO Limited, on financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2019.

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 2019 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 2019