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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1685)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- During the year, benefited from the prudent selection of projects and key industries, optimization of product structure and the further reduction of production cost of the Group, the gross profit recorded increase of 21.6% to RMB200.5 million and the gross profit margin increased significantly to 31.9%, compared to that of 2017. Excluding impairment losses for trade and other receivables, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") for the year amounted to RMB62.0 million, positive for two consecutive years.

- During the year, with the continuous implementation of stringent internal control, trade payables and borrowings both decreased, and operating cash flow of the Group has been positive for three consecutive years.

- Revenue decreased by 17.2% to approximately RMB628.2 million.

- Revenue from sales of Intelligent Electrical Distribution System Solutions decreased by 6.3% to approximately RMB297.5 million which represented 47.4% of total revenue.

- Revenue from sales of Energy Efficiency Solutions decreased by 46.0% to approximately RMB137.2 million which represented 21.8% of total revenue.

- Revenue from Components and Spare Parts Business increased by 3.5% to approximately RMB192.8 million which represented 30.7% of total revenue.

- Loss attributable to equity shareholders of the Company increased to RMB958.4 million (2017: loss attributable to equity shareholders of the Company of RMB221.0 million). Both basic and diluted loss per share were RMB1.28.

- As at 22 March 2019, the Group received over RMB227.8 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2018.

The Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	4	**628,235**	758,671
Cost of sales	4	**(427,695)**	(593,771)
Gross profit	4	**200,540**	164,900
Other income	5	**25,575**	36,556
Selling and distribution expenses		**(62,175)**	(59,905)
Administrative and other operating expenses		**(137,374)**	(113,802)
Loss of an associate		**(14)**	–
Change in financial assets at fair value through profit or loss		**(1,512)**	–
Impairment losses for trade and other receivables		**(942,786)**	(230,000)
Loss from operations		**(917,746)**	(202,251)
Finance costs	6(a)	**(49,182)**	(53,716)
Loss before taxation	6	**(966,928)**	(255,967)
Income tax (expense)/credit	7	**(30,951)**	32,478
Loss for the year		**(997,879)**	(223,489)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(1,041)**	49,574
Other comprehensive income for the year		**(1,041)**	49,574
Total comprehensive income for the year		**(998,920)**	(173,915)

	Note	**2018**	2017
	Note	***RMB'000***	*RMB'000*
Loss attributable to:			
Equity shareholders of the Company		**(958,429)**	(220,974)
Non-controlling interests		**(39,450)**	(2,515)
Loss for the year		**(997,879)**	(223,489)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(959,470)**	(171,400)
Non-controlling interests		**(39,450)**	(2,515)
Total comprehensive income for the year		**(998,920)**	(173,915)
Loss per share (RMB)	9		
Basic		**(1.28)**	(0.29)
Diluted		**(1.28)**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in Renminbi)

	Note	**2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**305,627**	331,957
Investment properties		**120,575**	147,843
Intangible assets		**2,814**	3,905
Lease prepayments		**32,433**	33,806
Investment in an associate		**546**	–
Financial assets at fair value through profit or loss		**9,094**	–
Available-for-sale investments		**–**	10,348
Construction in progress		**1,795**	–
Deferred tax assets		**205,925**	199,852
		678,809	727,711
Current assets			
Inventories		**105,385**	100,700
Trade and other receivables	10	**943,559**	2,093,637
Current tax assets		**3,137**	8,111
Pledged deposits		**32,956**	336,173
Contract cost		**20,666**	–
Cash and cash equivalents		**9,734**	15,655
		1,115,437	2,554,276
Current liabilities			
Borrowings	11	**638,893**	963,756
Trade and other payables	12	**400,706**	523,795
Amounts due to related parties		**–**	431,422
Obligations under finance leases		**27,578**	6,702
Current tax liabilities		**30,740**	16,507
		1,097,917	1,942,182
Net current assets		**17,520**	612,094
Total assets less current liabilities		**696,329**	1,339,805

	Note	**2018** *RMB'000*	2017 *RMB'000*
Non-current liabilities			
Borrowings	11	**56,000**	63,000
Amounts due to related parties		**384,266**	–
Obligations under finance leases		**65,569**	86,930
Deferred tax liabilities		**1,408**	1,629
		507,243	151,559
NET ASSETS		**189,086**	1,188,246
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**172,542**	1,131,857
Total equity attributable to equity shareholders of the Company		**238,552**	1,197,867
Non-controlling interests		**(49,466)**	(9,621)
TOTAL EQUITY		**189,086**	1,188,246

NOTES

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

(c) Functional and presentation currency

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

(d) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and a trust established for the Group's share award scheme.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. *HKFRS 9 – Financial Instruments*

(i) Classification and measurement of financial instruments

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

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

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

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. HKFRS 9 – Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. HKFRS 9 – Financial Instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

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

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

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. *HKFRS 9 – Financial Instruments (Continued)*

(i) *Classification and measurement of financial instruments (Continued)*

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

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 *RMB'000*	Carrying amount as at 1 January 2018 under HKFRS 9 *RMB'000*
Unlisted equity investments	Available-for-sale investments (at cost)	FVTPL	10,348	10,606
Trade and bills receivables	Loans and receivables	Amortised cost	1,916,052	1,916,052
Other receivables	Loans and receivables	Amortised cost	–	–
Pledged bank deposits	Loans and receivables	Amortised cost	336,173	336,173
Cash and cash equivalents	Loans and receivables	Amortised cost	15,655	15,655

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

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

Presentation of ECLs

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

A. HKFRS 9 – Financial Instruments (Continued)

Impact of the ECL model

(iii) Impairment of trade and other receivables, and contract assets

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

The adoption of the simplified expected credit loss approach under HKFRS9 has not resulted in any additional impairment loss for trade and bills receivables as at 1 January 2018.

(iv) Transition

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

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

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

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

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

The adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies.

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

In summary, no adjustment was made to the amounts recognised in the opening consolidated statement of financial position on 1 January 2018.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

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

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

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 16 – Leases

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

For the year ended 31 December 2018 and 2017, there were no customer with whom transactions have exceeded 10% of the Group's revenues.

(b) 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, results and assets 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 capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

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

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

  Revenues from the EDS Solutions segment represent 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;

  Revenues from the iEDS Solutions segment represent sale of high-end electrical distribution systems.

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

  Revenues from the EE Solutions segment arising from the EPC contracts and sale of electricity.

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

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	EDS Solutions *RMB'000*	iEDS Solutions *RMB'000*	EE Solutions *RMB'000*	CSP Business *RMB'000*	Total *RMB'000*
Year ended 31 December 2018					
Revenue					
Sale of electrical distribution systems and related parts	**765**	**297,520**	**–**	**192,767**	**491,052**
EPC contracts	**–**	**–**	**93,455**	**–**	**93,455**
Sale of electricity	**–**	**–**	**43,728**	**–**	**43,728**
	765	**297,520**	**137,183**	**192,767**	**628,235**
Cost of sales	**(595)**	**(209,902)**	**(60,212)**	**(156,986)**	**(427,695)**
Gross profit	**170**	**87,618**	**76,971**	**35,781**	**200,540**
Depreciation and amortisation included in cost of sales	**10**	**2,457**	**7,549**	**8,504**	**18,520**
Year ended 31 December 2017					
Revenue					
Sale of electrical distribution systems and related parts	925	317,464	–	186,325	504,714
EPC contracts	–	–	204,794	–	204,794
Sale of electricity	–	–	49,163	–	49,163
	925	317,464	253,957	186,325	758,671
Cost of sales	(809)	(246,290)	(195,912)	(150,760)	(593,771)
Gross profit	116	71,174	58,045	35,565	164,900
Depreciation and amortisation included in cost of sales	36	4,176	7,987	8,885	21,084

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

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

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

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

5. OTHER INCOME

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

6. LOSS BEFORE TAXATION

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

		2018 *RMB'000*	2017 *RMB'000*
(a)	Finance costs:		
	Interest on borrowings	**43,081**	49,521
	Finance charges on obligation under finance leases	**6,101**	4,195
		49,182	53,716
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**7,382**	9,836
	Salaries, wages and other benefits	**72,941**	109,835
		80,323	119,671
(c)	Other items:		
	Amortisation of intangible assets	**797**	702
	Amortisation of lease prepayments	**1,373**	1,822
	Depreciation	**34,772**	34,641
	Auditors' remuneration	**2,500**	2,489
	Impairment losses for trade receivables *(note 10(b))*	**942,786**	230,000
	Operating lease charges in respect of properties: minimum lease payments	**2,142**	6,021
	Change in financial assets at fair value through profit or loss	**1,512**	3,859
	Net loss on disposal of property, plant and equipment	**5,366**	1,139
	Net gain on disposal of investment properties	**(5,639)**	–
	Net foreign exchange loss/(gain)	**13,886**	(1,352)
	Impairment loss for investment properties	**4,236**	–
	Cost of inventories#	**382,599**	558,091

\# Cost of inventories includes RMB49,782,000 (2017: RMB51,519,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

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

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

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

8. DIVIDENDS

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

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

Weighted average number of ordinary shares

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

(b) Diluted loss per share

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

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables in the consolidated statement of financial position comprise:

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**2,368,130**	2,322,390
Loans to customers	**170,928**	345,290
Retention receivables	**107,000**	176,873
Less: allowance for doubtful debts	**(1,905,641)**	(972,331)
	740,417	1,872,222
Bills receivable	**2,594**	43,830
Amount due from a related party	**–**	13,340
Prepayments, deposits and other receivables	**200,548**	164,245
	943,559	2,093,637

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

(a) Ageing analysis

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

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

The Group generally grants a credit period of one year to its customers.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables, loans to customers and retention receivables

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

The movement in the allowance for doubtful debts during the year, based on both specific and collective assessment, is as follows:

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

11. BORROWINGS

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

13. FINANCIAL GUARANTEE ISSUED

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018 prepared by the external auditor of the Company:

Opinion

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

Material uncertainty related to going concern

We draw attention to Note 2(b) to the consolidated financial statements, which discloses that the Group recorded a loss of RMB997,879,000 for the year (2017: loss of RMB223,489,000). The Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only which are indications that the Group may not able to repay its debts when they fall due. As stated in that note, these conditions indicate that material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

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

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

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

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

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

Business Review

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

Benefited from the prudent selection of projects and key industries, optimization of product structure and the further reduction of production cost of the Group, the gross profit recorded increase of 21.6% to RMB200,540,000 and the gross profit margin increased significantly to 31.9%, compared to that of 2017. Excluding impairment losses for trade and other receivables, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") for the year amounted to RMB61,982,000 million, positive for two consecutive years. During the year, with the continuous implementation of stringent internal control, trade payables and borrowings both decreased, and operating cash flow of the Group has been positive for three consecutive years. During the year, the business of the Group can be divided into the following four segments:

– Energy Efficiency Solutions ("EE Solutions");

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

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

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

The application scenarios have been gradually unlocked by the Internet of Things, from the smart factories of manufacturing industry and the cascade digital platform among the building system, being the most important components of the national economy, to the intelligent household appliances in ten thousands of households, the demand for intelligent power distribution terminal equipment and ecosystems with high security and reliability, real-time monitoring, quasi-load control, big data collection and accurate analysis is increasingly growing. The Group is among the earliest in the domestic industry to develop cloud platform and ecosystem for big data power distribution. Leveraging on its over 30 years of experience in the R&D and manufacturing of power distribution equipment, the Group has successfully established and gradually improved the power consumption database across diverse industries since launching "CloudSmart" data platform in 2012, after accumulating and analyzing power consumption related data from a large number of customers across diverse industries in the past six years, which makes the Group one of the few companies in the industry with high-end customization capabilities in the intelligent and energy conservation power distribution solutions for diverse industries, and therefore enjoy first-mover advantages.

With the integration of the company data collected by Boer Power's corporate cloud platform system and the industry data accumulated in the electricity database, the Group can provide customers with value-added solutions and provide professional maintenance service for users' distribution equipment, so as to ensure the safe and reliable operation and energy efficiency thereof. The Group's technological advantage lies in our ability to effectively ensure safe operation of equipment, reduce operation cost and raise customers' economic efficiency by performing uninterrupted monitoring, data collection and postback and real-time energy efficiency analysis to electrical terminal equipment via Internet. During the year, China Life Insurance adopted the full-cycle products and a full range of services of "Cloud+" of the Group in the Jinan project of its Shangdong branch, with contract value of tens of millions of RMB. Trust from large companies reflected that Boer Power has further increased their value through the integration of cloud platform and intelligent power distribution solutions, and that the Group's exploration of realization model of big data has gradually borne fruits.

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

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

Meanwhile, the Group proactively cooperated with large-scale state-owned general contractors to obtain more orders, focusing mainly on infrastructure projects and rail transit in urban areas. During the Year, the Group performed the third round cooperation with Qingdao Metro and successfully won the bidding on the project of Qingdao Metro Line No. 1 in early May, providing the integrated low-voltage intelligent power distribution solution for the longest cross-sea metro line of China, with a contract value of RMB66,800,000; in early August, the

Group further collaborated with Qingdao Metro Line No. 1 project to provide low-voltage environmentally-controlled switchgear for the project with a contract value of approximately RMB70,000,000, representing the successful extension of the Company's product line to the sector of electromechanical product of urban rail transit; in addition, in September, the Group successfully won the bidding on the project of Qingdao Metro for the third time during the year, providing the low-voltage environmentally-controlled switchgear for Line 8, with a total contract value of RMB48,000,000.

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

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

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

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

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

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

Operation and Financial Review

EDS Solutions

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

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

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

iEDS Solutions

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

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

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

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

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

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

EE Solutions

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

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

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

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

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

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

CSP Business

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

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

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

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

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

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

PROSPECT

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

Underpinned by the explosive growth of cloud computing and the continuous development of 5G technology, the scale and capacity requirement of data center continued to expand rapidly. Coupled with the trend that the design and structure of data centers are becoming simpler, more efficient and more flexible, the Group believes that by leveraging the Group's advantages established in the data center industry over the years, the "One-stop Data Center Solution" of Boer Power will remain the Group's major growth driver of sales. According to the industrial information forecast of China, by 2020, 99% of the Internet traffic will be related to data center, while Internet traffic within data center will reach 70%. Among which, 92% of workloads of servers will be processed by the cloud data center, with total workloads of data center and workloads of cloud data center increasing by more than 2 times and 3 times as compared to that in 2015, respectively. With the establishment of data center in China by Amazon, the global cloud computing leader, the data center supplier position of China Telecom designated by Apple Inc., and the continuous development of "Cloud Cooperation Plan" by Alibaba Cloud Computing, the Group believes that the industry demand for "One-stop

Data Center Solution" will be further released. Leveraging the leading technology advantages in the industry and the rich project management experience, it is expected that the Group will maintain the long-term cooperation relationship with Chinese top data center operators and three major telecommunications companies of China, and continue to actively reach out to new customers.

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

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

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

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

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

Liquidity and Financial Resources

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

Assets/Liabilities Turnover Ratio

The average inventory turnover days increased by 16 days from 72 days for the year ended 31 December 2017 to 88 days for the year ended 31 December 2018. The average trade receivables turnover days decreased by 310 days from 1,082 days for the year ended 31 December 2017 to 772 days for the year ended 31 December 2018. This was mainly due to the fact that one of the Group's operating priorities in 2018 was to speed up the settlement of trade receivables and to conduct a detailed assessment of the customer's credit status. The average trade payables turnover days decreased by 153 days from 343 days for the year ended 31 December 2017 to 190 days for the year ended 31 December 2018. It was mainly due to the fact that the Group, after receiving payment of trade receivables, applied part of the payment in settling trade payables.

As at 22 March 2019, the Group received over RMB227.8 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2018.

Going Concern Basis

During the year ended 31 December 2018, the Group recorded a loss of RMB997,879,000 (31 December 2017: loss of RMB223,489,000). In addition, the Group has current liabilities of RMB1,097,917,000 and net current assets of RMB17,520,000, while the Group maintained its cash and cash equivalents of RMB9,734,000 only which are indications that the Group may not able to repay its debts when they fall due. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that is may be unable to realise its assets and discharge its liabilities in normal course of business. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2(b) to the Group's consolidated financial statements.

Contingent Liabilities

Save as disclosed in note 13 to the Group's consolidated financial information, as at 31 December 2018, the Group did not have any contingent liabilities.

Financial Management Polices

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

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

Significant Investment Held, Material Acquisition and Disposal

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

Employees and Remuneration Policy

The Group had 978 (31 December 2017: 1,016) employees as at 31 December 2018. The total staff costs for the year under review were approximately RMB80 million (2017: approximately RMB120 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

Principle Risks and Uncertainties

1. *Market risks*

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

2. *Commercial risks*

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

3. *Operational risks*

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

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

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

Environmental Policies and Performance

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

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

Relationship with Employees

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages and share award scheme to attract and retain employees with the aim to form a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. Furthermore, the Group places great emphasis on the training and development of employees and 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 the above approaches, we hope to increase the amount of business from our existing customers and our reach for new potential clients.

Compliance with Laws and Regulations

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure that transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and other applicable laws and regulations. Based on information available, the Directors take the view that during the year ended 31 December 2018, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Use of Proceeds from Global Offering

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

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

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

1 *The figures in the table are approximate figures.*

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

DIVIDEND

The forthcoming annual general meeting of the Company will be held on 29 May 2019.

The Board does not recommend the payment of the final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 23 May 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 Listing Rules which are granted during the duration of the Share Option Scheme and those that remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which such share options are granted, notwithstanding the expiry of the Share Option Scheme.

Grant of Options to connected persons or any of their associates

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

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

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

Subject to the rules of the Share Option Scheme, the maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to share options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) 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 year. During the year ended 31 December 2018, no options have been granted under the Share Option Scheme.

As at the date of 2017 annual report and this announcement, 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 directors, executives, officers and manager-grade employees, whether full time or part time, of any member of the Group from time to time, save for those excluded employees as determined by the Board or the trustee (as the case may be), with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group. The Share Award Scheme involves existing shares and the Board hopes to encourage employees of the Group to have, through shares awarded under the Share Award Scheme, a direct financial interest in the long-term success of the Group. The Share Award Scheme operates for 10 years starting from the Adoption Date.

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

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and complied with most of the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules during the year, with the exception of code provision A.2.1 which is 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 the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of its long-term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. During the year ended 31 December 2018, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors of the Company, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 December 2018.

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 year ended 31 December 2018.

AUDIT COMMITTEE

As at 31 December 2018, the Audit Committee of the Company (the "Audit Committee") has four members comprising of three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong and Mr. Qu Weimin and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year ended 31 December 2018 of the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual 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 annual report of the Company for year ended 31 December 2018 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

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

By order of the Board
Qian Yixiang
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the Directors of the Company are Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin and Mr. Qian Zhongming as Executive Directors, Mr. Zhang Huaqiao as Non-executive Director, Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin as Independent Non-executive Directors.