博耳电力
BOER POWER

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1685

ANNUAL REPORT

2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhang Huaqiao

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Tang Jianrong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

KPMG

INVESTOR AND MEDIA RELATIONS CONSULTANT

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COMPANY’S WEBSITE

www.boerpower.com

FINANCIAL SUMMARY

	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000 (Restated)	2012 RMB'000	2011 RMB'000
Turnover and Profit					
Turnover	**2,473,646**	2,048,454	1,353,992	1,221,214	1,014,589
Profit before taxation	**630,318**	548,878	361,894	324,437	295,254
Income tax	**(106,494)**	(94,394)	(17,027)	(30,296)	(42,276)
Profit for the year	**523,824**	454,484	344,867	294,141	252,978
Profit attributable to:					
Equity shareholders of the Company	**519,884**	458,917	345,109	294,141	252,978
Non-controlling interests	**3,940**	(4,433)	(242)	–	–
Assets and Liabilities					
Non-current assets	**448,209**	335,792	304,756	314,834	269,376
Current assets	**5,365,871**	4,080,501	3,120,866	2,078,927	1,770,485
Current liabilities	**(3,598,409)**	(2,221,081)	(1,460,469)	(650,146)	(521,049)
Non-current liabilities	**(16,066)**	(2,340)	(2,574)	(5,968)	(6,475)
Net assets	**2,199,605**	2,192,872	1,962,579	1,737,647	1,512,337
Equity attributable to:					
Equity shareholders of the Company	**2,196,240**	2,193,447	1,958,821	1,737,647	1,512,337
Non-controlling interests	**3,365**	(575)	3,758	–	–
Dividends per share (HK$)					
Interim	**0.26**	–	–	–	–
Special	**0.20**	0.18	0.17	–	–
Second special	**0.13**	–	–	–	–
Final	**–**	0.19	0.14	0.12	0.10

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group"), I am pleased to report to shareholders the annual results of the Group for the year ended 31 December 2015.

The Group continues to uphold its corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment". In 2015, the medical services, intelligent data centre ("IDC"), and telecommunications industries continued its burgeoning growth, leading to a significant increase in the number of new medical organisations and IDCs. On top of this, demand on intelligent electricity distribution and energy management products and services witnessed a substantial growth driven by continued growth in the medical services, IDC, and telecommunications industries, as well as the trend towards informatisation of medical services, eco-friendly application in IDCs and intelligent development in power grid and taking advantage of the demand in the market, the Group took step to capture more market shares in short order in those highlighted industries, such as medical services, IDC and telecommunications industries during the year. Not only this move turned out rosy results for the Group, but it also strengthened the Group's position as a leading comprehensive solution supplier and service provider for the high-end intelligent electricity distribution and energy management in the People's Republic of China (the "PRC"). Meanwhile, setting its eye on the global level, the Group took advantage of the fast-growing global electricity transmission and distribution market to expand its footprint, establish overseas presence and enter the international arena. During the year, boasting modern communication technology and the proprietary "Cloud Smart" mega-data platform, the Group newly added Cloud-managed Service to its portfolio and provided its customers with intelligent remote monitoring and maintenance solutions for electricity distribution equipment.

Based on the latest data from the National Health and Family Planning Commission, as at the end of September of 2015, the number of hospitals nationwide grew to 26,904, representing a year-on-year growth of 6.32%, among which the number of private hospitals increased from 1,637 to 13,600, outrunning that of state-owned hospitals for the first time. Favorable national policies and gargantuan market demand became the engines for the growth of construction of hospitals in the PRC. In addition, as the national medical informationisation was included as a part of the 13th Five Year Plan, the market was set to ride on a fast-growing momentum. As indicated in the "China Medical Informationisation Industry Indepth Research and Investment Strategy Planning Report, 2015-2020" by Qianzhan Industry Research Institute, the scale of medical information industry would amount to RMB24.8 billion in 2015 at a CAGR of 32.1%. Private hospitals became a major constitute of the Group's clientele of the medical services industry. Driven by the burgeoning growth in number of private hospitals and the transformation of medical informationisation, the Group's integrated solution for medical services was widely adopted, helping the Group make remarkable headway in terms of medical services industry development during the year. In 2015, the Group provided integrated solution for medical services for a number of leading medical institutions, including Luoyang Jingdu Oncology Hospital, Luoyang Renda Hospital, Guizhou Muchuang Chinese Medicine Hospital, Linqu Aide Hospital, and Zhoukou East New District People's Hospital. The services included are high and low voltage equipment, medical information system, contracted third party equipment and part of medical equipment such as elevator, air conditioner, etc. Moreover, the Group also provided financial factoring services at early stages of construction for the hospitals to cope with shortage of capital.

In 2015, the telecommunications industry in the PRC owed the healthy growth to a year-on-year growth of 27.5% for the total throughput of telecommunications services, up 12 percentage points as compared to that for the corresponding period in 2014. Three state-owned telecom operators, having long been the mainstays for the development of IDCs, attracted a large influx of capital into the IDC industry on the back of the robust development of telecommunications industry and support from the deployment of IDCs by the three telecommunications providers. In addition, more investment made in the eco-friendly IDCS by internet giants, equipment manufacturers and IDC service providers resulted in a significant growth in number of new IDCs. In the "Opinion of the State Council regarding promotion of innovation development of cloud computering and fostering of new information industries and businesses", the Power Usage Effectiveness ("PUE") is clearly proposed to be used in the new sizable IDCs shall be above 1.5. In view of the rapid growth in number of IDC established and the trend moving towards eco-friendly application, a continuous growth in the demand on intelligent electricity distribution and energy management products and service was seen. In this sense, the Group's "One-stop Data Center Solution" featuring highly safe and energy saving performance created sustainable and strong market demand during the year. The Group has established sound long-term relationship with customers. During the year, the Group undertook projects like Zhejiang Mobile Megadata Base and GDS Data Center. Meanwhile, it also took step to seek new customers, for example, it partnered with Aliyun and provided products and integrated solutions for the Aliyun Qiandao Lake Data Centre.

To foster economic growth and urban development, regions and countries in Southeast Asia and Africa reinforced the infrastructure development and commenced a great number of infrastructure construction projects which facilitated drastic boost in the demand on the electricity transmission and distribution products in the PRC. Moreover, bolstered by the "One Belt, One Road" initiative, the demand on the electricity transmission and distribution equipment of the covered countries and regions saw a growth. Becoming aware of the strong demand of Southeast Asia, South Asia, Africa and the countries and regions covered in the "One Belt, One Road" initiative, the Group stepped forward to participate in the auction of overseas projects with fruitful results. The global electricity transmission and distribution equipment market continues to grow while the development of smart grid spurs the demand on intelligent electricity distribution equipment. In order to share a larger market pie of global electricity transmission and distribution market, the Group made an effort to complete the establishment of its overseas presence during the year. The Group succeeded in expanding its reach from Europe and Asia to Middle-East upon establishment of its sales company in United Arab Emirates. Other than speeding up its formation of overseas presence, the Group's project also came into operation in Indonesia, Türkmenistan, Kazakhstan, Angola and Saudi Arabia, resulting in a stable growth in revenue from overseas operations in 2015.

In 2015, cloud computing business in the PRC saw a considerable growth. Therefore, more internet giants dipped their toes into the cloud service industry. Based on the "The Research Report on the Development of Public Cloud in the PRC (2015)" issued by the China Academy of Telecommunication Research, the scale of public cloud market in the PRC would exceed RMB10 billion by 2015. As for Platform-as-a – service ("PaaS"), big data analysis and security control are the most frequently used services and products by the users. At present, the main electricity transmission and distribution equipment network can operated automatically while the power distribution networks still rely on on-site human management. A green field is seen for the electricity distribution operation and maintenance management services in the PRC with great potential for growth, it is expected the scale of which in the PRC can amount up to RMB100 billion. Taking this chance, the Group rolled out Cloud-managed Services and promoted to Shijiazhuang, Foshan, Wuxi, Hangzhou and Inner Mongolia during the year. With over 30 years of experience in the industry and a large pool of data on electricity consumption collected via its proprietary "Cloud Smart" mega-data platform. In terms of providing remote monitoring control and maintenance services with its customers through the cloud platform, with advantageous technology, industry data and resources at its disposal, the Group not only can cater to customers' need of real-time remote operation and maintenance as well as system failure alert, it can also generate huge economic benefits for its customers with the provision of efficiency analysis and energy-saving services. The Cloud-Managed Service of the Group started to contribute revenue to the Group during the year. With the service promoted nationwide, it is believed giant synergy will be created with other businesses of the Group and reward the Group with substantial income.

In 2015, the Group paid attention to the market development trends and conducted product upgrading and new product research and development to fulfill actual demand of its customers, thereby maintaining its leadership ahead of its peers in the industry. During the year, the Group launched 52 new products in total and obtained 16 new patents, including the new X-green-P Solid Insulated Ring Main Unit, e-Box high and low voltage cabinet, NLE63NM breaker, SDW-2000A/65KA, BRX3 series micro-breakers, below 800A CB dual power source AC and DC vehicle charging station for cars and motorbikes as well as 8 new products including PMW1700 and PMW160 multi-loop power detention devices specially designed for Cloud-managed Service of the Group.

Robust growth in the medical services, IDC and telecommunications industries, complemented with increasing investments in power distribution networks and smart grid in the period of the 13th five-year plan will continue to boost demand on intelligent electricity distribution and energy efficiency management products and services in the markets. To continue to capture more market shares for the Group in highlighted industries such as medical services, IDC, telecommunications and power grids industries, the Group held 76 "Boer Power Green Intelligent Trip" promotional conferences across 35 medium to large cities in the PRC, and successfully attracted the participation of 297 hospitals and 965 potential clients from other highlighted sectors during the year. It is believed that great benefit will be brought to the Group's future business development.

The Group reached another milestone in 2015 by obtaining the endorsement of China Well-known Trademark from the State Administration for Industry and Commerce of the PRC. Thanks to its leading market share in medical services and IDC industries for intelligent electricity distribution and energy efficiency management, the Group was also given the honor as one of the "Top 10 National Hospital Construction Materials and Equipment Suppliers" and "China's Most Innovative Financial Enterprise in Infrastructure Construction for Information Data Centers". Moreover, it was also elected as one of the Top Ten Circuit Breaker in China in 2015 and earned the name as one of the "Enterprises with highest growth Potential in 2015". Without the commitment of the management and the entire staff, Boer Power could not have obtained the household name, distinguishing the Group in the high-end electricity distribution industry.

Lastly, on behalf of the board of directors, I would like to express my sincere gratitude to hard-working and insightful management teams, and to the entire staff for their long-standing efforts in pursuit of growth and excellence. Looking ahead, we will continue to adhere to our development strategy of "brand awareness, diversification, and internationalisation", further expand our market share home and abroad, broaden our customer bases, and strive for fruitful returns to the continuing support and trust of our shareholders, investors, long-term customers, and business partners.

Qian Yixiang
Chairman

30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The growth of the total gross domestic product of the PRC met a slowdown in 2015 at a growth rate of 6.9% and amounted to RMB67.7 trillion. Despite the slower growth, the economic growth rate still remained at a reasonable level. Overall, the economic development of the PRC steered ahead stably with national fixed assets investment amounting to approximately RMB55.2 trillion, which represents a year-on-year growth of 10%.

The pace of power grid construction in the PRC in 2015 experienced stable acceleration with investment in the power grid construction for the year, amounting to RMB460.3 billion, which represents a year-on-year growth of 11.7%, the fastest growth since the period of the 12th five year plan. Along with more efforts put into the electricity distribution network construction and rapid development of smart grid, the power supply witnessed a robust demand. Meanwhile, rapid development of medical services, IDC and telecommunication industries and the demanding trend on intelligent and energy-saving applications continued to boost the demand on intelligent electricity distribution and energy management products and services in those sectors. Taking advantages of the strong demand, the domestic intelligent electricity distribution and energy management markets in the PRC manifest an exponential growth.

For the global market of electricity transmission and distribution equipment, India, China, Brazil, Russia, and South Africa, the countries undergoing the stage of industrialisation, have evolved to provide the primary growth driver of the global market. Secondary electricity distribution equipment such as protection and dispatching control systems emerged as the new growth driver of the global market in 2015.

BUSINESS REVIEW

In the view of the fast-growing cloud computing market, the Group integrated its experience in the high-end intelligent electricity distribution and energy efficiency management market and the self-owned "Cloud Smart" mega-data platform, and launched Cloud-managed Service in the second half of 2015. During the 12 months ended in 31 December 2015, the Group's business encompassed the following five segments:

– Cloud-managed Service ("Cloud-managed Service");

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

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

– Energy Efficiency Solutions ("EE Solutions"); and

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

In 2015, the development of the medical service, IDC and telecommunication industries and the demand of transition into internet-of-things and energy-saving applications boosted the demand of intelligent electricity distribution ("iED") and energy efficiency management products and services in the domestic market. On international level, developing countries put more efforts on infrastructures and accelerated infrastructure construction, resulting in a growth in demand of iED products in the foreign markets. Leveraging its advantages of independent research and development, data accumulation and service team, the Group provided iEDS Solution and EE Solution to meet the needs of customers in different industries and provided remote monitoring and maintenance solutions through its own "Cloud Smart" mega-data platform. During the year, the Group maintained good cooperation relationship with its existing customers and sought new clientele and markets on top of advantageous market shares in the major industries, resulting in growing clientele and market presence and in turn a rapid growth momentum. In terms of sector, the Group outperformed its peers in the medical services, telecommunications and IDC fields, contributing a combined revenue of 46.0% of the total revenue of the Group. In terms of segments, iEDS Solution and EE Solution remained in a strong growth momentum and contributed 56.0% and 35.6% of the total revenue of the Group respectively. In addition, Cloud-managed Service began to contribute revenue to the Group during the year.

Since the implement of the policies by the central government that are favorable to hospital invested by social capital in 2014, the number of private hospitals has witnessed a rapid growth. As shown in the recent data of the National Health and Family Planning Commission, as at the end of September 2015, the number of private hospitals marked a year-on-year growth from 1,637 to 13,600, outrunning that of state-owned hospitals for the first time. The development of private hospitals is growing as the number of newly constructed hospital is increasing. In addition, stimulated by favorable national strategies, the progress of informatisation in the medical service industry speeded up and heftily promoted the growth in medical service industry's demand of intelligent electricity distribution equipment and energy efficiency management solution. As indicated in the "China Medical Informationisation Industry Indepth Research and Investment Strategy Planning Report, 2015-2020" by Qianzhan Industry Research Institute, the scale of medical information industry amounted to RMB24.8 billion in 2015 at a CAGR of 32.1%. Medical services industry entails stringent requirements on safety, stability and energy saving in terms of use of electricity. As a result, the integrated solution for medical service provided by the Group, including intelligent electricity distribution equipment, medical information systems, procurement and installation of mechanical and electrical equipment, fully cater to the requirements of the medical service industry, and gained recognitions of its customers. During the year, the Group provided integrated solution for medical service and factoring services for a number of hospitals, including Luoyang Jingdu Oncology Hospital, Luoyang Renda Hospital, Guizhou Muchuang Chinese Medicine Hospital, Linqu Aide Hospital and Zhoukou East New District People's Hospital. Revenue from the medical service industry represented 28.7% of the Group's total revenue.

Currently, the IDC market is in its fast growth with over 400,000 IDCs in China, representing 12% of the total number of IDCs worldwide. According to the latest data of the Ministry of Industry and Information Technology, the mobile data traffic in the PRC increased to 4.2 billion in 2015, representing a year-on-year growth of 103%, accelerating the formation of the IDC layout of telecommunication operators. Meanwhile, the expansion of cloud computing market facilitated more investment made by internet corporates and IDC service providers for the development of IDCs. However, the expansion of IDC industry and its modularised development posed significant energy consumption problems. In the "Opinion of the State Council regarding promotion of innovation development of cloud computering and fostering of new information industries and businesses", the Power Usage Effectiveness ("PUE") is clearly proposed to be used in the new sizable IDCs shall be above 1.5. In view of the rapid growth in number of IDC established and the trend moving towards eco-friendly applications, a continuous growth in demand of iED and energy efficiency management products and service was seen. As IDC has always been a major business to the Group, it provides "One stop Data Center Solution" featuring functions such as micro-modular machine room, iED, and dynamic environment monitoring so as to accommodate the demand of IDCs in terms of safety, stability and energy saving. Therefore, the solution is widely applied on IDCs by telecommunication operators, online content providers, financial institutions, and other industries. During the year, the Group undertook a number of eco-friendly and large-scale IDC construction projects, including Aliyun Qiandao Lake Data Centre, Zhejiang Mobile Megadata Base, GDS Data Center, etc. Revenue from telecommunications and IDCs represented 17.3% of the Group's total revenue.

In 2015, the restructuring and upgrading projects of power grids in the rural areas, acceleration of power grid construction and restructuring and developing of comprehensive power grid, investment in power grid development in the PRC scaled up continuously, representing a record-breaking double-digital growth. The power grid industry's demand on eco-friendly electricity distribution equipment continued to grow. The Group self-developed new models of eco-friendly electricity transmission equipment, such as X-green-P Solid Insulated Ring Main Unit, which was in line with the requirement of environmental protection and intelligent applications of power grid industry. During the year, the Group provided advanced electricity transmission and distribution equipment and solution for the Jiangxi, Shanxi, Ningxia and Heilongjiang subsidiaries of State Grid Corporation of China ("State Grid"). Revenue from the Intelligent Power Grid Solutions business represented 7.9% of the Group's total revenue.

In addition, the Group achieved fruitful results in the photovoltaics, infrastructure, and charging station industries in 2015. During the year, the Solar Energy Product Testing and Inspection Base (Hainan) Phase I for which Boer acted as the Engineering, Procurement and Construction ("EPC") project contractor for the master contracting project was officially included as a part of the China Southern Power Grid and entered the trial run phase. In addition, the Group also cooperated with China Building Material Test & Certification Group Co., Ltd. and Xinyi Solar Group and provided them with EPC master contracting services and solar energy power system solutions for solar energy production testing base and a photovoltaic power plant projects, respectively. Meanwhile, focusing on the booming charging station market, the Group rolled out ENP AC and DC charging station featuring an array of intelligent functions during the year.

Stimulated by the policy benefits, the cloud computing market in the PRC has been growing continuously. As shown in the "The Research Report on the Development of Public Cloud in the PRC (2015)" issued by the China Academy of Telecommunication Research, the scale of public cloud market in the PRC would exceed RMB10 billion by 2015. Nowadays, for the sake of maximised cost efficiency, corporates' demand on cloud services supported by modern communication technology is growing from day to day. The Group realised the green field of the electricity distribution operation and maintenance management services, it captured this opportunity to enter into the cloud service business in reliance on the Group's "Cloud Smart" mega-data platform which can provide real time monitoring, remote operation and maintenance, energy efficiency analysis and energy saving service for customers. In June 2015, the Group cooperated with relevant governmental department to provide operation and maintenance management service of electrical distribution equipment for 20,000 households in Shijiazhuang City. In October 2015, Boer Power set up its first subsidiary named Guangdong Boer Cloud Technology Co., Ltd. for Cloud-managed Service. Boer Power's Cloud-managed Service provided services in cities such as Shijiazhuang, Foshan and Hangzhou, and began to generate revenue in the second half of 2015. Revenue from Cloud-managed Service amounted to RMB1.1 million for the year.

For the overseas markets, countries and regions in Southeast Asia, South Asia, Middle Asia and Africa are accelerating infrastructure construction with more investment funded by the government, and this result in a substantial increase in demand of iED products in those areas. In addition, as the "One Belt, One Road" initiative buttresses the development of infrastructure of the covered areas, massive infrastructure projects comes into operation and provide power transmission and distribution enterprises in the PRC with opportunities to access to the overseas markets. According to the latest data of Ministry of Commerce, in 2015, direct investments made by corporates in the PRC in the electricity, transportation, and telecommunication industries in the 60 countries covered by the "One Belt, One Road" initiative amounted to approximately US$11.7 billion, representing a year-on-year growth of 80.2%. The Group took this opportunity to expand its business overseas and formed of its global presence. During the year, the Group entered in the South American market and was setting up a company in Mexico. Currently, the Group has deployed companies and sales teams in Spain, Mexico, Indonesia, and United Arab Emirates and established a research and development base in Spain for product development to meet local demands so as to ratchet up its market share in European markets. On the new development project front, the Group provided electricity distribution products and services for a combined-cycle power plant project in Curacao, Bangladesh, a cement project in Heidelberg, Indonesia, an oil and gas project in Turkmen, an oil project in Kazakhstan and a cement project in Saudi Arabia. In Africa, the Group also participated in electricity distribution construction for the New Luanda International Airport in Angola. During the year, revenue from overseas markets represented 2.8% of the Group's total revenue.

During the year, the Group stayed ahead in the industry for its research and development strengths and continued to increase its research and development capacity and launched 16 new products, including the new X-green-P Solid Insulated Ring Main Unit, e-Box high and low voltage cabinet, NLE63NM breaker, SDW-2000A/65KA, BRX3 series micro-breakers, below 800A CB dual power source AC and DC vehicle charging station for cars and motorbikes as well as 8 new products including PMW1700 and PMW160 multi-loop power detention devices specially designed for Cloud-managed Service of the Group.

As at 31 December 2015, the Group's outstanding contract backlog amounted to approximately RMB3,011,820,000, which comprised iEDS Solutions, EE Solutions and CSP Business, mainly from customers of data centers, infrastructure, telecommunication, medical services and distributors of spare parts, etc. Most of the outstanding contract backlog is expected to be completed in 2016.

The Group recorded a remarkable growth during the year. The total revenue of the Group amounted to approximately RMB2,473,646,000 for the year ended 31 December 2015, representing an increase of 20.8% as compared to that of 2014. The increase in revenue was mainly attributable to the initiatives to launch innovative products and services to suit different customer needs, meet the policies on smart grid development, energy saving and emission reduction in China, and ensure the quality enhancement of products and services. The customers became more reliant on and confident in the products and services of the Group, with an expansion in market demand as a result.

The total profit attributable to the equity shareholders of the Company amounted to approximately RMB519,884,000 for the year ended 31 December 2015, representing an increase of 13.3% as compared to that of 2014. The increase in profit was mainly due to the satisfactory growth in revenue contribution from both the iEDS Solutions and EE Solutions business segments.

As at 31 December 2015, the total assets of the Group were approximately RMB5,814,080,000 (31 December 2014 restated: approximately RMB4,416,293,000) while the total liabilities were approximately RMB3,614,475,000 (31 December 2014 restated: approximately RMB2,223,421,000) and the total equity of the Group amounted to approximately RMB2,199,605,000 (31 December 2014: approximately RMB2,192,872,000).

OPERATION AND FINANCIAL REVIEW

iEDS Solutions and EE Solutions performed well and in particular, sound performance and significant growth were recorded for EE Solutions during the year.

Cloud-managed Service

The Group provides customers with intelligence remote monitoring of power distribution equipment and maintenance solutions by relying on internet technology and its own "Cloud Smart" mega-data platform.

The Cloud-managed Service is the Group's new service launched to the market during 2015. The total sales of Cloud-managed Service of the Group for the year ended 31 December 2015 was approximately RMB1,108,000, which accounted for approximately 0.1% of the Group's total revenue for the year. The gross profit of this business segment was approximately RMB276,000.

The gross profit margin of Cloud-managed Service segment was 24.9% for the year.

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 2015 amounted to approximately RMB5,500,000 (2014: approximately RMB9,615,000), representing approximately 0.2% (2014: approximately 0.5%) of the Group's total revenue for the year. A decrease in sales of EDS Solutions of 42.8% was recorded and the gross profit of this business segment was approximately RMB1,255,000 (2014: approximately RMB2,474,000), representing a decline of 49.3% as compared to that of 2014.

The gross profit margin of EDS Solutions segment decreased from 25.7% for 2014 to 22.8% 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 2015 was approximately RMB1,385,303,000 (2014: approximately RMB1,156,832,000), which accounted for approximately 56.0% (2014 approximately: 56.5%) of the Group's total revenue for the year. The increase in the sales of iEDS Solutions was 19.7% for the year ended 31 December 2015. This is mainly attributable to the improvement in the security and stability of power supply of the iEDS solutions through analysis of the application data collected from customers in focused industries accumulated over the years, and the automatisation and data collection of major electrical equipment owned by the Group, through continuous optimisation of related services, as a result the services provided could better meet the needs of the customers in focused industries, especially the customers in medical services industry. In addition, riding on the favorable national policies for the digitalisation construction relevant to medical and healthcare facilities, the demand of customers in medical services industry on the iEDS solutions of the Group was growing rapidly. The gross profit of this business segment was approximately RMB465,761,000 (2014: approximately RMB372,149,000), representing an increase of 25.2% as compared to that of 2014.

The gross profit margin of iEDS Solutions segment increased from 32.2% for 2014 to 33.6% for the year. The fluctuation in gross profit margin is within the normal range.

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 other value-added services.

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

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

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

The total sales of EE Solutions of the Group for the year ended 31 December 2015 was approximately RMB879,566,000 (2014: approximately RMB688,574,000), which accounted for approximately 35.6% (2014: approximately 33.6%) of the Group's total revenue for the year. The substantial increase in the sales of EE Solutions was due to the Group customises EE Solutions for different customers with the data from the customers in focused industries accumulated by the Group over the years, taking into account actual situations of various customers, to allow customers to control costs with ease. It was much more important for the customers in the industries which the energy consumption is high, thus the demand of the industries, like medical services, on the Group's EE solutions was continuously increasing. The gross profit of this business segment was approximately RMB363,150,000 (2014: approximately RMB287,551,000), representing an increase of 26.3% as compared to that of 2014.

The gross profit margin of EE Solutions segment decreased slightly from 41.8% for 2014 to 41.3% for the year. The fluctuation in gross profit margin is within the normal range.

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 2015 was approximately RMB202,169,000 (2014: approximately RMB193,433,000), which accounted for approximately 8.1% (2014: approximately 9.4%) of the Group's total revenue for the year. An increase in the sales of CSP Business of 4.5% for the year ended 31 December 2015 was recorded. The gross profit of this business segment was approximately RMB52,500,000 (2014: approximately RMB60,262,000), representing a decrease of 12.9% as compared to that of 2014.

The gross profit margin of CSP Business segment decreased from 31.2% for 2014 to 26.0% for the year. The fluctuation in gross profit margin is within the normal range.

PROSPECT

As stated in the "National Medical and Healthcare System Development Plan (2015-2020)" issued by the State Council, the total number of bed spaces of the medical and healthcare institutions in the PRC is aimed to increase to over 8.40 million by 2020, and 80% of which are hospital bed spaces. According to the forecast by the Qianzhan Industry Institute, it is expected that the scale of the medical information market will exceed RMB100 billion by 2020; and according to the forecast by idcquan.com in "China IDC Industry Development Research Report", the scale of IDC market is expected to reach up to RMB91.9 billion at a CAGR of 36.6% by 2017. The construction of hospitals and IDCs will speed up, a contingent of medical institutions and IDCs will come into operation, and informatisation of medical information industry and the trend of eco-friendly IDCs will become new demand drivers. All these give a boost of energy for the growth in demand of the comprehensive solutions provided by the Group. The comprehensive medical solutions and IDCs provided by the Group in line with the medical services and IDC industry has been widely adopted in sizable medical institutions and IDCs, through which rich data of power consumption is collected and solid customer base is established. As a leading enterprise specialising in high-end iED and energy efficiency management, the Group is well-poised to ride on the growth of the medical services and IDC markets.

As stated in the "Power Distribution Reconstruction Plan (2015-2020)" issued by the National Development and Reform Commission, it is expected that investments in the power distribution network will be no less than RMB2 trillion from 2015 to 2020. The State Grid Corporation of China plans to allocate RMB439.0 billion in 2016 to quicken the step of distribution network distribution while the China Southern Power Grid Company plans to invest RMB96.0 billion to strengthen power distribution networks in rural areas in 2016 and promote smart power network with an aim to raise the utilisation rate of automation of power distribution network up to 80% in the urban areas 2020. The Group will continue to bring its advantages in R&D and develop more new eco-friendly power transmission and distribution equipment so as to take the opportunities brought by the robust demand in the market and capture more market shares continuously.

The scale electricity transmission and distribution management market is expected to amount to RMB100 billion. Leveraging its power consumption data collected by the Group's proprietary cloud platform, extensive experience gained, outperforming R&D competence and preeminent teams, the Group is well positioned to provide customised professional services for its customers. The Group plans to continue to develop and apply its cloud service nationwide.

The Group targets to market its Cloud-managed Service in 60 cities nationwide in 3 years and attain 2,000 customers in 15 of these cities.

On foreign market level, as estimated in "2015-2019 Global Electricity Transmission and Distribution Market" research report issued by the Infiniti Research, the global electricity transmission and distribution market is expected to grow at a CAGR of 8.28% from 2014 to 2019. The Asia Development Bank estimated that investments in infrastructure projects will amount up to US$8 trillion by 2020. For Africa Union's infrastructure development plan 2012–2020, the total investment in African infrastructure projects is expected to be scaled up to US$67.9 billion. Infrastructure efforts in the South East Asia, Middle Asia and Africa are building up, complemented with the accelerating infrastructure construction in the covered areas driven by the "One Belt, One Road" initiative, it is believed that the demand for China's power transmission and distribution products will remain strong in those areas. The Group will fully take advantage of the opportunities offered from the growth in power transmission and distribution in the global market as well as the chances brought by the "One Belt, One Road" initiative by actively participating in the bidding of foreign projects so as to enrich its foreign project portfolio while seeking to set up establishments in countries and regions with market potential with a view to expand its market footprint around the world and generate higher profits from foreign markets.

While global economy is still in the face of increasing uncertainties, the Group achieved a stable growth in the first quarter of 2016 which is in line with its expectation. In the future, the Group will remain steadfast in harnessing its advantages in technologies, experience and resources in high-end iED and energy efficiency solutions. The Group will take the opportunity to explore new markets, and step up its product competitiveness and broaden its customer base so as to offset the impact exercised by the economic uncertainties around the world, with a view to maintain a stable business growth of 15% to 20% for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, time deposits with original maturity over three months, available-for-sale investments, trade and other receivables, trade and other payables, amount due to a related party and bank loans. As at 31 December 2015, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB155 million (31 December 2014 restated: approximately RMB666 million), approximately RMB1,767 million (31 December 2014: approximately RMB1,859 million) and approximately RMB2,216 million (31 December 2014: approximately RMB2,195 million), respectively. As at 31 December 2015, the Group had bank loans amounting to approximately RMB1,852 million (31 December 2014 restated: approximately RMB671 million).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days remained 27 days for the year ended 31 December 2015 as compared to that of 2014, mainly due to the Group has maintained a good management of inventory control and thus a stable inventories level can be kept. The average trade payables turnover days increased by 44 days from 278 days for the year ended 31 December 2014 to 322 days for the year ended 31 December 2015, mainly due to increase in trade payables as at 31 December 2015 as a result of longer credit periods negotiated with certain suppliers. Furthermore, due to the increase in trade receivables turnover days, obtaining longer credit periods from suppliers in order to avoid the liquid capital will be put under pressure. The average trade receivables turnover days increased by 183 days from 313 days (restated) for the year ended 31 December 2014 to 496 days for the year ended 31 December 2015, mainly due to the Group settled the outstanding factoring receivables on behalf of certain customers this year, those receivables should be recognised as "Loans to customers" included in trade and other receivables of the Group. In addition, starting from the second half of 2012, the Group began to adopt bank factoring of trade receivables due from selected customers with good credit record to better manage its cash flow and working capital resources, gradually increasing the utilisation of such bank factoring facilities.

As at 29 March 2016, the Group received over RMB336,927,000 from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

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

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

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2015.

EMPLOYEES AND REMUNERATION POLICY

The Group had 1,366 (2014: 1,290) employees as at 31 December 2015. The total staff costs for the year under review were approximately RMB145 million (2014: approximately RMB93 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Market risks

The Group is exposed to certain market risks such as interest rate risk, credit risk (including the risk in factoring project and the risk to be borne by the Group in the event of default of payment by customers), liquidity risk, etc. The details are set out in note 30 to the consolidated financial statements.

2. Commercial risks

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

RELATIONSHIP WITH EMPLOYEES

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages and share award scheme to attract and retain employees with the aim 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. Staff satisfaction can be seen by our low staff turnover. Furthermore, the Group places great emphasis on the training and development of employees and regard excellent employees as a key factor in its competitiveness.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors place emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable 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), Listing Rules, and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2015, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

	Proceeds from global offering RMB'000	Percentage	Used up to 31 December 2015 RMB'000	Unused balance RMB'000
Expanding the upstream component production capability	266,637	25%	250,171	16,466
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%	79,431	80,551
Purchase of equipment in the Luoshe Town new plant	85,324	8%	6,693	78,631
Purchase of equipment and software in providing more efficient EE Solutions	74,658	7%	35,754	38,904
Working capital and other general corporate purposes	106,655	10%	106,000	655
	1,066,547	100%	851,340	215,207

1 The figures in the table are approximate figures.

The unused balance of the proceeds of approximately RMB215 million are currently placed with reputable banks as the Group's cash and cash equivalents and available-for-sale investments.

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 subsidiary, instead of simply setting up new companies or carrying out acquisition. The Company considers that the use of such RMB373 million is in line with the strategy and future plans of the Group to expand the downstream sales channel and market segment 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

QIAN Yixiang

QIAN Yixiang, aged 42, is an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Qian Yixiang was appointed as a Director of the Board on 12 February 2010 and as a member of the Company's Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Qian Yixiang is also the Director of Cheer Success Holdings Limited, Power Investment (H.K.) Limited, Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), Boer (Yixing) Power System Co., Ltd., Yixing Boai Automation Complete Sets of Equipment Co., Ltd., Boer Wuxi Tezhong Electrical Capacitor Co., Ltd., Boer Electric Sales (China) Co., Ltd., Sydenham (Wuxi) Switch Co., Ltd., Sydenham International Group Corporation, Palace Glory International Limited, Profit Sea Holdings Limited, Control Well International Limited, Boer (H.K.) Capital Management Limited, Boer (Wuxi) Financial Leasing Co., Ltd., Green Essential Limited, Boer Technology (H.K.) Limited, Boer (Wuxi) Software Technology Limited, Boer Power System (Jiangsu) Co., Ltd., Wuxi Boer Power Engineer Co., Ltd., Boer (Shanghai) Switch Apparatus Co., Ltd. (Formerly known as Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd.), Wuxi Chien Cheng Electric Co., Ltd., Boer Energy Jiangsu Co., Ltd., Boer (Shanghai) International Trading Co., Ltd., Guangdong Boer Cloud Technology Ltd. and Hebei Boer Cloud Technology Ltd., which are subsidiaries of the Company. Mr. Qian Yixiang is primarily responsible for the overall management and strategic development of our Group. Mr. Qian Yixiang joined Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"), the predecessor entity of the Group, in July 1995 and became the General Manager of Wuxi Boer in January 1998. Since he first joined Wuxi Boer in July 1995, Mr. Qian Yixiang has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian Yixiang graduated from Jiangnan University with a Diploma in Business Management in 1995. Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

JIA Lingxia

JIA Lingxia ("Ms. Jia"), aged 42, is an Executive Director and the Chief Operating Officer of the Company. Ms. Jia was appointed as a Director of the Board on 12 February 2010 and as a member of the Company's Remuneration Committee and Nomination Committee on 30 September 2010. Ms. Jia is also the Director of Cheer Success Holdings Limited, Power Investment (H.K.) Limited, Boer Wuxi, Boer (Yixing) Power System Co., Ltd., Sydenham International Group Corporation, Palace Glory International Limited, Profit Sea Holdings Limited, Control Well International Limited, Boer (H.K.) Capital Management Limited, Green Essential Limited, Boer Technology (H.K.) Limited, Boer Energy Jiangsu Co., Ltd., Boer Power Middle East DMCC and PT. Boer Power System Indonesia, which are subsidiaries of the Company. Ms. Jia is primarily responsible for the overall management of the daily operations of the Group. Ms. Jia joined Wuxi Boer in August 1995 and became the Deputy General Manager of Wuxi Boer in January 1997. From February 1995 to August 1995, Ms. Jia worked at Wuxi Special Ventilation Machine Factory, currently known as Wuxi Xishan Special Ventilation Machine Factory, as the head of the accounts department. Since Ms. Jia joined Wuxi Boer in August 1995, she has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Ms. Jia graduated from Jiangnan University with a Diploma in Business Management in 1995. Ms. Jia is the wife of Mr. Qian Yixiang and the daughter-in-law of Mr. Qian Zhongming.

ZHA Saibin

ZHA Saibin (**"Mr. Zha"**), aged 49, is an Executive Director and a Vice President of the Company responsible for new products development. Mr. Zha was appointed as a Director of the Board on 12 February 2010. Mr. Zha is also the Director of Boer Wuxi and Boer Energy Jiangsu Co., Ltd., which are subsidiaries of the Company. Mr. Zha is primarily responsible for the product development of the Group. Mr. Zha joined Wuxi Boer in June 2000 and became the Assistant Manager and the head of research and development department of Wuxi Boer in 2003. Prior to joining the Group, Mr. Zha worked at Wuxi City Apparatus Factory from July 1990 to May 2000 and was later appointed as the head of research and development and the Deputy General Manager in January 1996 and November 1997, respectively. Since joining Wuxi Boer in June 2000, Mr. Zha has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Zha received a Bachelor's degree in Engineering in 1990 from Hefei University of Technology.

QIAN Zhongming

QIAN Zhongming (**"Mr. Qian"**), aged 69, is an Executive Director and a Vice President of the Company responsible for assisting Mr. Qian Yixiang with the formulation of the strategic development plans of the Group. Mr. Qian was appointed as a Director of the Board on 12 February 2010. As a founding member of Wuxi Boer, Mr. Qian acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry during the last 20 years. Mr. Qian graduated from Luoshe Senior High School in 1966. Mr. Qian is the father of Mr. Qian Yixiang and the father-in-law of Ms. Jia.

NON-EXECUTIVE DIRECTOR

ZHANG Huaqiao

ZHANG Huaqiao (**"Mr. Zhang"**), aged 53, joined the Board as a Non-executive Director on 9 November 2011 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 9 November 2011. Mr. Zhang ceased to be a member of the Company's Remuneration Committee and Nomination Committee on 1 February 2012. Mr. Zhang is currently an Independent Non-executive Director of Fosun International Limited (Stock Code: 656), Zhong An Real Estate Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), Logan Property Holdings Company Limited (Stock Code: 3380), Luye Pharma Group Limited (Stock Code: 2186), Wanda Hotel Development Company Limited (formerly known as Wanda Commercial Properties (Group) Co., Limited) (Stock Code: 169) and Sinopec Oil Services Corporation (formerly known as Sinopec Yizheng Chemical Fibre Company Limited) (Stock Code: 1033), which are all listed on the Main Board of the Stock Exchange. Mr. Zhang is also currently an Independent Non-executive Director of Yancoal Australia Ltd. (Stock Code: YAL), which is listed on the Australian Stock Exchange. He was the Chairman of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited) (Stock Code: 8325), which is listed on the GEM Board of the Stock Exchange, since 11 March 2014 and re-designated as its Executive Director since 13 May 2015. From June 1999 to April 2006, Mr. Zhang worked with UBS Securities Asia Limited, ultimately becoming the Managing Director and co-head of the China research team. Prior to this, Mr. Zhang worked as a principal staff member with the People's Bank of China between July 1986 and January 1989. Mr. Zhang was an Executive Director and Chief Executive Officer of Man Sang International Limited (Stock Code: 938), a company listed on the Main Board of Stock Exchange, between September 2011 to April 2012. Mr. Zhang was an Independent Non-executive Director of Fuguiniao Co., Ltd. (Stock Code: 1819) and Ernest Borel Holdings Limited (Stock Code: 1856), which are both listed on the Main Board of the Stock Exchange, from 12 May 2013 to 30 June 2014 and from 11 July 2014 to 10 November 2014, respectively. He was also a Director of Nanjing Central Emporium Stocks Company Limited (Stock Code: 600280) which is listed on the Shanghai Stock Exchange between February 2013 to May 2015.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

YEUNG Chi Tat

YEUNG Chi Tat ("Mr. Yeung"), aged 46, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as the Chairman of our Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Yeung is currently the President of the International Financial Management Association Hong Kong headquarters, the Founding Executive Council Member and Deputy President of the Hong Kong Independent Non-executive Director Association, the council member of the Hong Kong Wine Chamber of Commerce, the Vice-president of Hong Kong General Chamber of Wine & Spirits, the Greater China Development Working Committee member of The Association of Hong Kong Accountants and the Financial Controller and Company Secretary of Dynasty Fine Wines Group Limited (Stock Code: 828), a company listed on the Main Board of the Stock Exchange. He is also an Independent Non-executive Director of Ta Yang Group Holdings Limited (Stock Code: 1991), ANTA Sports Products Limited (Stock Code: 2020) and Sitoy Group Holdings Limited (Stock Code: 1023), which are listed on the Main Board of the Stock Exchange. He was an Independent Non-executive Director of Billion Industrial Holdings Limited (Stock Code: 2299) and KFM Kingdom Holdings Limited (Stock Code: 3816), both of which are listed on the Main Board of the Stock Exchange, from 2 March 2011 to 2 May 2014 and from 7 September 2015 to 3 February 2016 respectively.

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

TANG Jianrong

TANG Jianrong ("Mr. Tang"), aged 52, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Tang is currently a professor in the School of Business at Jiangnan University. Although the Group has established a long-term research relationship with Jiangnan University, Mr. Tang has never been involved in any of the research and development programmes undertaken by Jiangnan University for the Group. Neither has Mr. Tang been involved in the negotiation of any cooperation agreements. Mr. Tang currently does not receive and has not in the past ever received any personal benefit from the cooperation relationship between the Group and Jiangnan University. Mr. Tang currently is not personally interested in and was not in the past ever personally interested in such cooperation relationship.

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

SENIOR MANAGEMENT

ZHANG Jiaqing

ZHANG Jiaqing ("Mr. Zhang"), aged 51, is the Vice President of Sales of the Group. Mr. Zhang joined Wuxi Boer in June 2004 as the Sales Supervisor concentrating on sales in southern China and was appointed as the Vice President of Sales in August 2012. Mr. Zhang was a teacher at Jiangsu Institute of Petrochemical Technology, currently known as Changzhou University, from June 1989 to October 1997. Prior to joining the Group, Mr. Zhang worked as a Sales Manager in Schneider Electric (China) Co., Ltd. from October 1997 to June 2004. During his time with Schneider Electric (China) Co., Ltd., Mr. Zhang has gained experience in relation to the sales and marketing of the electrical distribution systems and equipment. Mr. Zhang received a Bachelor's degree in Engineering in 1986 and a Master's degree in Engineering in 1989, both from Nanjing University of Aeronautics and Astronautics.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Antonio MACERA

Antonio MACERA (**"Mr. Macera"**), aged 64, is the Vice President of Operations of the Group. Mr. Macera joined Boer Power in April 2012 as the Vice President of Operations. From 1975 to December 2011, Mr. Macera worked with Schneider Electric (China) Co., Ltd., ultimately becoming the delegate director of project and services and energy efficiency. Mr. Macera possesses diversified experience in electrical distribution, automation and advanced services in industry, buildings and infrastructure.

ZHANG Jianqi

ZHANG Jianqi (**"Ms. Zhang"**), aged 52, is the Vice President of Strategic Development of the Group. Ms. Zhang joined Wuxi Boer in March 2003 as the Sales Supervisor concentrating on sales in North China and was appointed as the Vice President of strategic development in August 2012. From 1989 to 1991 and from 1991 to 1995, Ms. Zhang worked as an engineer in Beijing Bearing Research Institute and a research and development engineer in Beijing Yadu Science & Technology Co. respectively. She then worked as a Sales Manager at Moeller from May 1995 to August 1997. Prior to joining the Group, Ms. Zhang worked as a Sales Manager focusing on the international customers of Schneider Electric (China) Co., Ltd. from September 1997 to February 2003. During her time with Moeller, Ms. Zhang gained sales and marketing experience in relation to the electrical distribution systems and electrical distribution equipment industry. Ms. Zhang received a Bachelor's degree in Engineering from Beijing University of Technology in 1986.

AN Di

AN Di (**"Mr. An"**), aged 42, is the Human Resources and Legal Director of the Group. Mr. An joined the Group in March 2005 and was appointed as Assistant to General Manager and the Head of Internal Compliance of Boer Wuxi in November 2009 and as the Human Resources Director in October 2012. Mr. An was re-designated as Human Resources and Legal Director of the Group in July 2015. Since he joined the Group in March 2005, Mr. An has gained experience in overlooking the implementation of internal compliance and human resources matters. Prior to joining the Group, Mr. An had been an Assistant to the Factory Director of Tianshui Cheungcheng General Electric Apparatus Factory. Mr. An graduated from Xian Jiaotong University with a diploma in Jurisprudence in 2006.

WU Chang

WU Chang (**"Mr. Wu"**), aged 46, is the Research and Development Director of the Group. Mr. Wu is mainly responsible for the research and development and improvement of products, and providing training to relevant staff. Mr. Wu joined Wuxi City Instrumentation System Works in July 1995. He was appointed as Project Manager of Boer Wuxi in March 2003 and as Quality Control department's Manager of Boer Power in June 2008. In September 2012, Mr. Wu was promoted to the Customer Center Director of the Group. He was re-designated as the Research and Development Director of the Research and Development Department in June 2015. Mr. Wu graduated from Suzhou Sericulture College in 1993.

LI Xianli

LI Xianli (**"Mr. Li"**), aged 42, is the Operation Director of the Group. Mr. Li is primarily responsible for the strategic planning and daily operation of the factories of the Group. Mr. Li joined Boer Power in April 2011 as the Operation Director. Mr. Li was the Purchasing Engineer and Purchasing Supervisor of York (Wuxi) Air-conditioner Refrigeration Equipment Co., Ltd. from February 1997 to November 2004. Prior to joining the Group, Mr. Li worked as the Operating Manager and General Manager of Compair Global Purchasing Center (Shanghai) Co., Ltd. from December 2004 to March 2011. Mr. Li received a Bachelor's degree in Economics in 1997 from Nanjing Agricultural University and then a Master's degree in Business Administration in 2006 from Fudan University.

HAN Weidong

HAN Weidong (**"Mr. Han"**), aged 49, is the Customer Center Director of the Group, and is mainly responsible for developing and implementing the technology and quality system regulations and rules, the establishment of a quality management system, periodic technical analysis and quality analysis and the development of preventive and corrective measures, and also responsible for project tender quotation management, and execution of project contract management. Mr. Han joined Boer Wuxi in January 2005 as a Deputy General Manager and was appointed as Technology Director in July 2012. Mr. Han was re-designated as Customer Center Director in June 2015. Since he joined the Group in January 2005, Mr. Han has acquired his knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. From July 1990 to August 1998, Mr. Han worked as an Electrical Design Engineer in the Planning and Designing Institute of Ministry of Light Industry. Prior to joining the Group, Mr. Han worked as a Product Manager in Schneider Electric (China) Co., Ltd. from September 1998 to November 2004. Mr. Han received a Bachelor's degree in Engineering from North China Electric Power University in 1990.

SHEN Weizu

SHEN Weizu (**"Mr. Shen"**), aged 43, is the Engineering Director of the Group. Mr. Shen is primarily responsible for the design, price quotations, negotiation, concluding contracts and site construction management of the integrated solutions, and increasing the customers' satisfaction. Mr. Shen joined Boer Wuxi in January 1993 and was appointed as the Manufacturing Supervisor and Quality Supervisor of Boer Wuxi in April 1999 and July 2005 respectively. Subsequently he worked as the Operation Manager of Yixing Boai Automation Complete Sets of Equipment Co., Ltd. and then Boer Wuxi between the period from September 2010 to September 2013. In October 2013, Mr. Shen was promoted to Supply Chain Management Director of the Group. Mr. Shen was re-designated as Engineering Director of the Engineering Department in June 2015. Mr. Shen graduated from Jiangsu Provincial Huaiyang Electronic Industrial College in 1993.

WANG Yun

WANG Yun (**"Mr. Wang"**), aged 35, is the General Manager of Boer Energy Jiangsu Co., Ltd.. Mr. Wang is primarily responsible for the planning, operation and management of photovoltaic projects. Mr. Wang joined Boer Energy Jiangsu Co., Ltd. in July 2013 as General Manager. Prior to joining the Group, from May 2003 to May 2007 and May 2007 to November 2009, Mr. Wang worked as an Overseas Sales Manager of Wuxi Suntech Power Co., Ltd. and Vice President of Sales in Europe of Suntech Power Holdings Co., Ltd. respectively. Mr. Wang worked as the Operating Officer of Europe Suntech Power Co., Ltd. from December 2009 to March 2011. Mr. Wang graduated from Nanjing University of Finance and Economics in 2003.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

The Company has complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2015, except for the deviations from the code provisions A.2.1, A.5.1 (in respect of the period since 5 February 2016 only) and E.1.2 of the Code as described in the following sections.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2015 regarding the Directors' securities transactions. The Company has also ensured compliance of its employees who are likely to possess inside information in relation to the Company or its securities in respect of their dealings with the Company's securities.

The following sections set out how the principles in the Code have been complied with by the Company during the financial year ended 31 December 2015.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2015, the Board comprised nine Directors consisting of five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Following the resignations of Mr. Zhao Jianfeng and Mr. Huang Liang on 5 February 2016, as at the date of this report, the Board comprised seven Directors consisting of four Executive Directors, one Non-executive Director and two Independent Non-executive Directors.

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

Function

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

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

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

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

Board meetings

During the year ended 31 December 2015, five meetings were held by the Board and the Directors did not authorise any alternate Director to attend Board meetings. The attendance record of each Director is set out below:

Name of Board members	Number of attendance	Number of meetings
Executive Directors		
Mr. Qian Yixiang[(i)] *(Chairman and Chief Executive Officer)*	5	5
Ms. Jia Lingxia[(i)]	5	5
Mr. Zha Saibin	5	5
Mr. Qian Zhongming[(i)]	4	5
Mr. Huang Liang[(ii)]	5	5
Non-executive Director		
Mr. Zhang Huaqiao	3	5
Independent Non-executive Directors		
Mr. Yeung Chi Tat	5	5
Mr. Zhao Jianfeng[(iii)]	4	5
Mr. Tang Jianrong	5	5

Notes:

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

(ii) Mr. Huang Liang resigned on 5 February 2016.

(iii) Mr. Zhao Jianfeng resigned on 5 February 2016.

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

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

Independent Non-executive Directors

During the year ended 31 December 2015, the Company had complied with Rules 3.10(1) and 3.10A of the Listing Rules. There were three Independent Non-executive Directors, representing one-third of the Board. Among the three Independent Non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, the Company only has two Independent Non-executive Directors which falls below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of Independent Non-executive Directors does not represent one-third of the Board as required under Rule 3.10A of the Listing Rules. In order to comply with the required number of Independent Non-executive Directors under the Listing Rules, the Company will use its best endeavour to identify a suitable candidate to fill up the vacancy arising from the resignation of Mr. Zhao Jianfeng as soon as practicable and in any event within three months from the date of Mr. Zhao Jianfeng's resignation as required under Rules 3.11 of the Listing Rules.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of its long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. During the year ended 31 December 2015, 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.

Appointment, re-election and removal

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

In accordance with the articles of association of the Company (the "Articles"), one third of the Directors for the time being will retire from office by rotation. Under code provision A.4.1, all the Non-executive Directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Zhang Huaqiao, Mr. Yeung Chi Tat and Mr. Tang Jianrong has been appointed for a specific term of three years from their respective appointments on (i) 9 November 2011 for Mr. Zhang Huaqiao and (ii) 30 September 2010 for the remaining other two Directors. Mr. Yeung Chi Tat and Mr. Zhang Huaqiao had retired from their offices and been re-elected as Non-executive Directors at the 2013 and 2014 AGM respectively. Mr. Tang Jianrong shall retire from his office at the forthcoming AGM and shall be eligible to offer himself for re-election pursuant to articles 108 and 109 of the Articles. Mr. Zhao Jianfeng resigned on 5 February 2016 due to his other work commitments.

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

Directors' continuous training and development

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

A summary of the trainings received by the Directors for the year ended 31 December 2015 is as follows:

Name of Board members	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Qian Yixiang(i)	✓
Ms. Jia Lingxia(i)	✓
Mr. Zha Saibin	✓
Mr. Qian Zhongming(i)	✓
Mr. Huang Liang(ii)	✓
Non-executive Director	
Mr. Zhang Huaqiao	✓
Independent Non-executive Directors	
Mr. Yeung Chi Tat	✓
Mr. Zhao Jianfeng(iii)	✓
Mr. Tang Jianrong	✓

Notes:

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

(ii) Mr. Huang Liang resigned on 5 February 2016.

(iii) Mr. Zhao Jianfeng resigned on 5 February 2016.

COMMITTEES OF THE BOARD

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 30 September 2010 and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 27 March 2012. As at 31 December 2015, the Remuneration Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng (resigned on 5 February 2016), Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Remuneration Committee.

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

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

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

During the year ended 31 December 2015, one meeting was held by the Remuneration Committee to review the existing policy for the remuneration of the Directors and senior management and to review and make recommendations of the remuneration of the Directors. No alternate Director was authorised to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-executive Directors		
Mr. Yeung Chi Tat	1	1
Mr. Zhao Jianfeng[(i)]	0	1
Mr. Tang Jianrong	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

Note:

(i) Mr. Zhao Jianfeng resigned on 5 February 2016.

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, the Remuneration Committee comprised two Executive Directors and two Independent Non-executive Directors. As such, as at the date of this report, the Remuneration Committee does not comprise a majority of Independent Non-executive Directors as required under Rule 3.25 of the Listing Rules. The Company will use its best endeavour to identify a suitable candidate to fill up the vacancy arising from the resignation of Mr. Zhao Jianfeng as soon as practicable and in any event within three months from the date of Mr. Zhao Jianfeng's resignation as required under 3.27 of the Listing Rules.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 30 September 2010 in compliance with Rules 3.21 and 3.23 of the Listing Rules and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 15 December 2015. As at 31 December 2015, the Audit Committee had four members comprising three Independent Non-executive Directors and one Non-executive Director, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng (resigned on 5 February 2016) and Mr. Zhang Huaqiao. Mr. Yeung Chi Tat is the Chairman of the Audit Committee.

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

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

During the year ended 31 December 2015, the Audit Committee reviewed the interim and annual financial statements and reports and discussed with the external auditors on any significant or unusual items before submitting such reports to the Board, reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, as well as reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures. In addition, the members of the Audit Committee held one meeting with the management and the independent professional accounting firm appointed by the Company relating to the internal control review matters during the year ended 31 December 2015. The Audit Committee also actively participated in the internal control review matters to improve and strengthen the internal control system of the Company, where necessary.

During the year ended 31 December 2015, two meetings were held by the Audit Committee. No alternate Director was authorised to attend such meetings and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-executive Directors		
Mr. Yeung Chi Tat	2	2
Mr. Zhao Jianfeng[(i)]	2	2
Mr. Tang Jianrong	2	2
Non-executive Director		
Mr. Zhang Huaqiao	2	2

Note:

(i) Mr. Zhao Jianfeng resigned on 5 February 2016.

There are no material uncertainties relating to any events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed the Company's annual results for the year ended 31 December 2015.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 30 September 2010 and had renewed the written terms of reference in compliance with the Code which was adopted by the Board on 26 August 2013. As at 31 December 2015, the Nomination Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Zhao Jianfeng (resigned on 5 February 2016), Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Nomination Committee.

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

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

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

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

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

As at 31 December 2015, the Board comprised nine Directors, which is characterised by diversity in terms of gender, age, cultural and educational background, professional experience and skills.

During the year ended 31 December 2015, one meeting was held by the Nomination Committee and the work performed includes reviewing and making recommendations to improve the structure, size and composition of the Board. No alternate Director was authorised to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-executive Directors		
Mr. Yeung Chi Tat	1	1
Mr. Zhao Jianfeng[(i)]	0	1
Mr. Tang Jianrong	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

Note:

(i) Mr. Zhao Jianfeng resigned on 5 February 2016.

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, the Nomination Committee comprised two Executive Directors and two Independent Non-executive Directors. As such, as at the date of this report, the Nomination Committee does not comprise a majority of Independent Non-executive Directors as required under code provision A.5.1 of the Code. The Company will use its best endeavour to identify a suitable candidate to fill up the vacancy arising from the resignation of Mr. Zhao Jianfeng as soon as practicable.

ACCOUNTABILITY AND AUDIT

Directors' responsibility

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board is not aware of any material uncertainties relating to any events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

Internal controls

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

During the year ended 31 December 2015, the Board has reviewed the effectiveness of the internal control procedures of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

During the year ended 31 December 2015, the Audit Committee has also reviewed the effectiveness of the Group's internal control procedures, saved as disclosed in note 4 to the consolidated financial statements, the Audit Committee was satisfied that the Group's internal control processes are adequate to meet the needs of the Group in its current business environment.

In the second half of 2015, the Group decided to further enhance its internal audit to better suit its growing operational scale. Toward that end, the Group has hired qualified personnel to add to its internal audit department and performed comprehensive internal audit on current and previous years, including critical accounting policies and assumptions.

With reference to the facts disclosed in note 4 to the consolidated financial statements, apart from making the necessary adjustments and restatements of the Group's consolidated statements of financial position and consolidated cash flow statement, the Group has adopted certain immediate and long-term measures to remedy and prevent future occurrence of such oversight. Such measures include:

1. the Group decided to relieve Mr. Huang Liang from his current role as the chief financial officer of the Group. The Group is currently searching for qualified candidates for a replacement. Until such replacement is appointed, Ms. Jia Lingxia, a Director and Controlling Shareholder, will actively assume the role of the chief financial officer.

2. the Group is in the process of hiring additional qualified personnel for its finance department and implementing specific internal control procedures in relation to factoring arrangements.

3. the Group hired additional qualified personnel to add to its internal audit department and granted the internal audit department additional authority to oversee the performance of the finance department, including a quarterly internal audit process to be performed by the internal audit department.

4. the Group is in the process of drafting additional internal control measures and considering setting up an internal control department to further enhance its internal control to ensure the finance department of the Group properly and systematically document and record all transactions in time.

The Group also reviewed and re-evaluated its general practice of factoring arrangements. After careful deliberation, the Group believes the factoring arrangements serve a valid business purpose in terms of fostering business relationship with valuable customers and commercial banks. Going forward, the Group will continue to adopt a stringent evaluation process in selecting factoring arrangements to enter into as well as liaise with the relevant banks to provide a more flexible period of factoring to selected customers which better suits their repayment schedule.

Auditors' remuneration

During the year ended 31 December 2015, the remuneration paid and payable to the auditors of the Company, KPMG, was set out as below:

Nature of services	Remuneration paid and payable RMB'000
Audit service	4,373
Non-audit service – Review of interim results	1,095
Internal control review	246
Tax advisory	280
Total	5,994

RELATIONSHIP WITH INVESTORS AND SHAREHOLDERS

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

The Company continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Company has regular meetings with the financial analysts, fund managers and potential investors, and has participated in a number of investors' conferences and roadshows organised by various investment banks since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010 in order to enhance the Group's relationship with the equity research analysts, fund managers, institutional investors and shareholders, as well as their understanding of the Group's strategies, operations and developments. All their discussions were limited to explanations of the previously published material and general discussion of non-price sensitive information. In the future, the Group plans to continue to strengthen its investors' relationship by participating in roadshows and conferences.

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

The 2014 AGM was held on 5 May 2015 and the attendance record of each Director is set out below:

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

Notes:

(i) Mr. Huang Liang resigned on 5 February 2016.

(ii) Mr. Zhao Jianfeng resigned on 5 February 2016.

Code provision E.1.2 stipulates that the Chairman of the Board should attend the AGM. Mr. Qian Yixiang was unable to attend the AGM which was held on 5 May 2015 (the "2014 AGM") due to other business engagements. Mr. Qian Yixiang had appointed Mr. Huang Liang, an Executive Director (resigned on 5 February 2016), as his delegate to chair the 2014 AGM and to answer the questions from shareholders. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company, Mr. Yeung Chi Tat, was also available to answer questions at the 2014 AGM.

During the year ended 31 December 2015, there have been no changes to the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

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

Procedures for putting forward proposals at general meetings by shareholders

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. The nature of the principal activities of the Group has not changed during the year ended 31 December 2015.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 4 to 16 of this annual report. Such discussion forms part of this report of the Directors.

RESULTS AND DIVIDENDS

The financial results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of the annual report.

An interim dividend of HK26 cents per ordinary share, totaling approximately RMB162,158,000 was declared by the Board on 12 August 2015 and paid to the shareholders of the Company on 30 November 2015. Further, a special dividend of HK20 cents per ordinary share, totaling approximately RMB126,779,000 was declared by the Board on 5 November 2015 and paid to the shareholders of the Company on 21 December 2015.

The Directors now recommend the payment of a second special dividend of HK13 cents per ordinary share, totaling approximately RMB81,555,000. The second special dividend is expected to be paid to those shareholders whose names appear on the register of members of the Company at the close of business on 18 April 2016.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB1,000,000 (2014: approximately RMB100,000).

INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

The major additions to investment property, other property, plant and equipment of the Group include the addition of investment properties and new machineries and equipment in Wuxi. Particulars of the movements in investment property, other property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 13 to the financial statements.

SHARE CAPITAL

The movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 29(c) to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

RESERVES

The movements in the reserves of the Group and the Company during the year ended 31 December 2015 and the distributable reserves of the Company as at 31 December 2015 are set out in the consolidated statement of changes in equity and notes 29(a) and 29(e) to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the five largest customers of the Group accounted for approximately 26% of the total turnover of the Group and the largest customer accounted for approximately 7% of the total turnover of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 5% and 17% of the Group's total purchases for the year ended 31 December 2015, respectively.

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

DIRECTORS

As at 31 December 2015, the Directors were:

Executive Directors
Mr. Qian Yixiang *(Chairman and Chief Executive Officer)*
Ms. Jia Lingxia
Mr. Zha Saibin
Mr. Qian Zhongming
Mr. Huang Liang[(i)]

Non-executive Director
Mr. Zhang Huaqiao

Independent Non-executive Directors
Mr. Yeung Chi Tat
Mr. Zhao Jianfeng[(ii)]
Mr. Tang Jianrong

Notes:

(i) Mr. Huang Liang resigned on 5 February 2016.

(ii) Mr. Zhao Jianfeng resigned on 5 February 2016.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2015, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, its holding company, or any of its subsidiaries or related companies was a party during the year ended 31 December 2015.

NON-COMPETITION UNDERTAKINGS

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2015.

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

The particulars of the Directors' and senior management's remuneration and the five highest paid employees during the financial year ended 31 December 2015 are set out in notes 9 and 10 respectively to the financial statements.

SHARE OPTION SCHEME

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

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

Grant of Options to connected persons or any of their associates

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

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

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

The Company did not have any outstanding option at the beginning and at the end of the year. During the year ended 31 December 2015, no options have been granted under the Share Option Scheme.

As at the date of 2014 annual report and this annual report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

SHARE AWARD SCHEME

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

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

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

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

On 7 August 2015, 15 December 2015 and 22 December 2015, HK$9 million, HK$6.3 million and HK$5 million were refunded to the Company by the trustee.

On 29 January 2015 and 3 February 2015, the Board resolved to grant a total of 1,390,000 shares and 630,000 shares, respectively, to employees, representing 0.18% and 0.08% of the issued shares of the Company as at Adoption Date.

As at the date of 2014 annual report and this annual report, the trustee held 26,363,000 shares and 24,343,000 shares under the Share Award Scheme respectively, representing about 3.41% and 3.15% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2015 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Chief Executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 32 of this annual report.

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

The Directors and Chief Executive of the Company who held office as at 31 December 2015 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

	Capacity	Total number of ordinary shares held	% of total issued shares
Long position in shares			
Directors			
Mr. Qian Yixiang	Interest of controlled corporation	517,815,000(i)	66.92
Ms. Jia Lingxia	Interest of controlled corporation	517,815,000(i)	66.92
Mr. Zha Saibin	Beneficial owner	780,000	0.10
Mr. Huang Liang(ii)	Beneficial owner	312,000	0.04
Mr. Zhang Huaqiao	Beneficial owner	3,305,000	0.43

Notes:

(i) The 517,815,000 shares were owned by King Able Limited ("King Able"), a company owned as to 50% by Mr. Qian Yixiang and 50% by Ms. Jia Lingxia.

(ii) Mr. Huang Liang resigned on 5 February 2016.

Save as disclosed above, as at 31 December 2015, none of the Directors and Chief Executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2015, the following interests of 5% or more of the issued share capital of the Company (other than those held by the Directors and Chief Executive of the Company) were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than the Directors and Chief Executive of the Company) who had interests or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Group had not engaged in any connected transactions or continuing connected transactions during the year which requires disclosure in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CONFIRMATION OF INDEPENDENCE

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

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor, KPMG, the audited consolidated financial statements for the year ended 31 December 2015.

AUDITOR

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Qian Yixiang
Chairman

Hong Kong
30 March 2016

INDEPENDENT AUDITOR'S REPORT

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BOER POWER HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Boer Power Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 96, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 4 to the consolidated financial statements which state that the Group has made certain prior year's adjustments to restate the consolidated financial statements for the year ended 31 December 2014.

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

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	5	**2,473,646**	2,048,454
Cost of sales	5	**(1,590,704)**	(1,326,018)
Gross profit	5	**882,942**	722,436
Other income	6	**118,606**	123,280
Selling and distribution expenses		**(79,338)**	(58,156)
Administrative expenses		**(211,847)**	(164,565)
Profit from operations		**710,363**	622,995
Finance costs	7(a)	**(80,045)**	(74,117)
Profit before taxation	7	**630,318**	548,878
Income tax	8(a)	**(106,494)**	(94,394)
Profit for the year		**523,824**	454,484
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		**(16,719)**	(2,622)
Net movement in fair value reserve of available-for-sale investments	11	**–**	155
Other comprehensive income for the year		**(16,719)**	(2,467)
Total comprehensive income for the year		**507,105**	452,017
Profit attributable to:			
Equity shareholders of the Company		**519,884**	458,917
Non-controlling interests		**3,940**	(4,433)
Profit for the year		**523,824**	454,484
Total comprehensive income attributable to:			
Equity shareholders of the Company		**503,165**	456,450
Non-controlling interests		**3,940**	(4,433)
Total comprehensive income for the year		**507,105**	452,017
Earnings per share (RMB cents)	12		
Basic		**69**	61
Diluted		**69**	61

The notes on pages 47 to 96 form part of these financial statements. Details of the dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Renminbi)

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000 (Restated)	At 1 January 2014 RMB'000 (Restated)
Non-current assets				
Investment property, other property, plant and equipment	13	**246,443**	207,661	212,077
Construction in progress	14	**75,549**	5,312	1,373
Intangible assets	15	**3,845**	4,441	5,034
Lease prepayments	16	**75,423**	77,350	79,277
Prepayments for purchase of equipment and acquisition of land use right		**3,056**	3,123	2,148
Prepayment for an investment	18	**30,180**	30,180	–
Deferred tax assets	28(b)	**13,713**	7,725	4,847
		448,209	335,792	304,756
Current assets				
Inventories	19	**102,971**	129,691	68,969
Trade and other receivables	20	**4,630,933**	2,592,620	1,297,759
Current tax asset	28(a)	**8,111**	9,496	21,012
Pledged deposits	21	**369,071**	403,925	128,346
Available-for-sale investments	22	**99,500**	229,000	649,641
Time deposits with original maturity over three months	23(a)	**–**	50,000	103,449
Cash and cash equivalents	23(a)	**155,285**	665,769	851,690
		5,365,871	4,080,501	3,120,866
Current liabilities				
Bank loans	24	**1,851,562**	671,074	429,541
Trade and other payables	25	**1,670,092**	1,408,041	824,091
Amount due to a related party	32(a)	**26,556**	92,762	200,212
Current tax liabilities	28(a)	**50,199**	49,204	6,625
		3,598,409	2,221,081	1,460,469
Net current assets		**1,767,462**	1,859,420	1,660,397
Total assets less current liabilities		**2,215,671**	2,195,212	1,965,153
Non-current liability				
Deferred tax liabilities	28(b)	**16,066**	2,340	2,574
NET ASSETS		**2,199,605**	2,192,872	1,962,579

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2015
(Expressed in Renminbi)

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000 (Restated)	At 1 January 2014 RMB'000 (Restated)
CAPITAL AND RESERVES				
Share capital	29(c)	**66,010**	66,010	66,241
Reserves	29(d)	**2,130,230**	2,127,437	1,892,580
Total equity attributable to equity shareholders of the Company		**2,196,240**	2,193,447	1,958,821
Non-controlling interests		**3,365**	(575)	3,758
TOTAL EQUITY		**2,199,605**	2,192,872	1,962,579

Approved and authorised for issue by the Board of Directors on 30 March 2016.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 47 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		66,241	(99,690)	817,123	9,218	134,293	21,436	141	(155)	(29,877)	1,040,091	1,958,821	3,758	1,962,579
Profit for the year		–	–	–	–	–	–	–	–	–	458,917	458,917	(4,433)	454,484
Other comprehensive income		–	–	–	–	–	–	–	155	(2,622)	–	(2,467)	–	(2,467)
Total comprehensive income for the year		–	–	–	–	–	–	–	155	(2,622)	458,917	456,450	(4,433)	452,017
Capital injection into a subsidiary		–	–	–	–	–	–	–	–	–	–	–	100	100
Appropriation to statutory reserve		–	–	–	–	53,267	–	–	–	–	(53,267)	–	–	–
Dividends approved in respect of the previous year														
– Special dividend	29(b)(ii)	–	–	(100,958)	–	–	–	–	–	–	–	(100,958)	–	(100,958)
– Final dividend	29(b)(ii)	–	–	(84,715)	–	–	–	–	–	–	–	(84,715)	–	(84,715)
Repurchase of shares	29(c)	(231)	–	(16,226)	–	–	–	231	–	–	–	(16,226)	–	(16,226)
Shares purchased for share award scheme	27	–	(24,710)	–	–	–	–	–	–	–	–	(24,710)	–	(24,710)
Equity-settled share-based transaction		–	–	–	4,785	–	–	–	–	–	–	4,785	–	4,785
Vesting of shares granted under share award scheme	27	–	15,929	–	(15,929)	–	–	–	–	–	–	–	–	–
Balance at 31 December 2014		66,010	(108,471)	615,224	(1,926)	187,560	21,436	372	–	(32,499)	1,445,741	2,193,447	(575)	2,192,872
Balance at 1 January 2015		66,010	(108,471)	615,224	(1,926)	187,560	21,436	372	–	(32,499)	1,445,741	2,193,447	(575)	2,192,872
Profit for the year		–	–	–	–	–	–	–	–	–	519,884	519,884	3,940	523,824
Other comprehensive income		–	–	–	–	–	–	–	–	(16,719)	–	(16,719)	–	(16,719)
Total comprehensive income for the year		–	–	–	–	–	–	–	–	(16,719)	519,884	503,165	3,940	507,105
Appropriation to statutory reserve		–	–	–	–	61,963	–	–	–	–	(61,963)	–	–	–
Dividends approved in respect of the previous year														
– Special dividend	29(b)(ii)	–	–	(109,144)	–	–	–	–	–	–	–	(109,144)	–	(109,144)
– Final dividend	29(b)(ii)	–	–	(114,072)	–	–	–	–	–	–	–	(114,072)	–	(114,072)
Equity-settled share-based transaction	27	–	–	–	11,781	–	–	–	–	–	–	11,781	–	11,781
Vesting of shares granted under share award scheme	27	–	8,350	–	(8,350)	–	–	–	–	–	–	–	–	–
Dividends declared in respect of the current year														
– Interim dividend	29(b)(i)	–	–	(162,158)	–	–	–	–	–	–	–	(162,158)	–	(162,158)
– Special dividend	29(b)(i)	–	–	(126,779)	–	–	–	–	–	–	–	(126,779)	–	(126,779)
Balance at 31 December 2015		66,010	(100,121)	103,071	1,505	249,523	21,436	372	–	(49,218)	1,903,662	2,196,240	3,365	2,199,605

The notes on pages 47 to 96 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Operating activities			
Cash used in operations	23(b)	**(1,145,273)**	(210,683)
Income tax paid		**(96,376)**	(43,411)
Net cash used in operating activities		**(1,241,649)**	(254,094)
Investing activities			
Payment for purchase of property, plant and equipment		**(4,994)**	(20,141)
Payment for purchase of intangible assets		**(64)**	(226)
Payment for purchase of available-for-sale investments		**(107,500)**	(2,060,819)
Proceeds from maturity or disposal of available-for-sale investments		**237,000**	2,483,807
Prepayment for investment		**–**	(30,180)
Interest received		**23,346**	13,939
Investment income received		**10,511**	43,946
Maturity of time deposits with original maturity over three months		**91,200**	103,449
Placement of time deposits with original maturity over three months		**(41,200)**	(50,000)
Decrease/(increase) in pledged deposits		**34,854**	(275,579)
Net cash generated from investing activities		**243,153**	208,196
Financing activities			
Proceeds from bank loans		**1,943,735**	5,629,173
Repayment of bank loans		**(784,250)**	(5,392,281)
Decrease in amount due to a related party		**(66,206)**	(107,451)
Payment for purchase of shares for share award scheme	27	**–**	(24,710)
Payment for shares repurchase		**–**	(16,226)
Interest paid		**(89,491)**	(41,307)
Dividends paid to equity shareholders of the Company	29(b)(i)/(ii)	**(512,153)**	(185,673)
Net cash generated from/(used in) financing activities		**491,635**	(138,475)
Net decrease in cash and cash equivalents		**(506,861)**	(184,373)
Cash and cash equivalents at 1 January	23(a)	**665,769**	851,690
Effect of foreign exchange rate changes		**(3,623)**	(1,548)
Cash and cash equivalents at 31 December	23(a)	**155,285**	665,769

The notes on pages 47 to 96 form part of these financial statements.

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme as further elaborated in note 27.

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 that investments classified as available-for-sale are stated at their fair value as explained in the accounting policy set out in note 2(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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

Judgements made by management on the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

None of these developments have had a material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

The assets and liabilities of the trust in connection with a share award scheme (see note 27), are included in the Company's statement of financial position.

(e) Available-for-sale investments

Available-for-sale investments and designated available-for-sale investments are carried at fair value at the end of each reporting period with any change in fair value recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Investment income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(v)(iii).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
– Plant and machinery 5–10 years
– Motor vehicles 5 years
– Furniture, fixtures and other equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

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

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(l)). Depreciation is calculated to write-off the cost of investment properties, less their residual values, if any, using the straight-line method over their estimated useful lives of 20 years. Both the useful life and residual value, if any, are reviewed annually.

(h) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(l)). Cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(i) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Software	5 years
–	Trademark	10 years

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(k) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(l) Impairment of assets

(i) Impairment of available-for-sale investments and other receivables

Investments in wealth management products and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of available-for-sale investments and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale investments, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, loans to customers, retention receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables, loans to customers, retention receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– investment property, other property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Shares held for share award scheme

Consideration including any directly attributable incremental costs for the purchase of the Company's shares from market for the share award scheme, is presented as shares held for share award scheme and is deducted from total equity.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of shares granted under the share award scheme to employees is recognised as an employee cost with a corresponding increase in an employee share-based compensation reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions (including lock up period) upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

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

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. For goods that do not require acceptance testing, revenue is recognised when they are delivered to the customers' premises. For goods that require acceptance testing, revenue is recognised when customers confirmed acceptance of the goods. Revenue excludes value added tax and is after deduction of any trade discounts. Deposits and instalments received prior to the date of revenue recognition are included in the statement of financial position under receipts in advance under trade and other payables.

(ii) *Service income*

Service income is recognised when the services are rendered and the amount receivable can be measured reliably.

(iii) *Investment income*

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

(iv) *Interest income*

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

(v) *Government grants*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside Mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive 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 products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of each reporting period.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Depreciation and amortisation

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Current and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

4. PRIOR YEAR ADJUSTMENTS

Restatements of Certain Line Items of the Group's Consolidated Statement of Financial Position and Consolidated Cash Flow Statement in relation to the Group's Factoring Arrangements

Factoring arrangements are value-added features that the Group provides to qualified customers since 2012, which reduce the customers' time pressure to make payments while also reducing the Group's outstanding trade receivables. When the Group enters into a factoring arrangement with a bank and a customer in relation to certain trade receivables from the customer, the Group assigns the trade receivables to the bank in exchange of payment by the bank for the acquisition of the creditor's right. The Group bears the factoring charges as stipulated in the factoring agreements. The customer agrees to settle the outstanding amount with the bank upon the agreed-upon time of maturity. Repayment of outstanding amount should be made through a factoring account maintained by the Group with the relevant bank, and the Group is not under any obligation to repay any outstanding amount under the factoring arrangement in the event that the customer fails to pay upon maturity. Consequently, such trade receivables are derecognised from the Group's trade receivables balance when the Group is paid in full by the bank.

4. PRIOR YEAR ADJUSTMENTS (continued)

Restatements of Certain Line Items of the Group's Consolidated Statement of Financial Position and Consolidated Cash Flow Statement in relation to the Group's Factoring Arrangements (continued)

Since 2013, certain customers requested the relevant banks to grant re-financing when their outstanding amount under the relevant factoring arrangements reached maturity. As outstanding amounts of factoring arrangements are tied to the Group's factoring accounts as well as the available lines of credit of the Group with such banks in general, and also as a measure to maintain relationship with the customers and the banks, the Group decided to finance the customers to settle certain outstanding amount upon maturity by repaying such outstanding amounts directly to the relevant banks. Such amount settled by the Group on behalf of customers should be recognised as "Loans to customers" which is included in the trade and other receivables on the Group's consolidated statements of financial position.

As such settlements on behalf of customers were not initially planned and took place on an ad-hoc and individually negotiated basis, the finance department of the Group, due to oversight, failed to properly and systematically document such transactions, including loans to customers, financing for such loans, and subsequent settlement from customers as they took place. Such oversight was discovered recently during the process in preparation of the annual results for the year ended 31 December 2015. Following that, the management immediately performed a full examination and assessment of its trade receivables previously derecognised under the factoring arrangement and the financing of the customers, and made the necessary adjustments and restatements of the Group's consolidated statement of financial position and consolidated cash flow statement. The amounts of the restatements and each financial statement line item affected are as follows:

Consolidated statement of financial position

	As at 31 December 2014		
	As previously reported RMB'000	Adjustments Increase/ (decrease) RMB'000	Restated RMB'000
Trade and other receivables	1,652,244	940,376	2,592,620
Cash and cash equivalents	1,287,182	(621,413)	665,769
Bank loans	421,074	250,000	671,074
Trade and other payables	1,431,840	(23,799)	1,408,041
Amount due to a related party	–	92,762	92,762

	As at 1 January 2014		
	As previously reported RMB'000	Adjustments Increase RMB'000	Restated RMB'000
Trade and other receivables	1,097,547	200,212	1,297,759
Amount due to a related party	–	200,212	200,212

4. PRIOR YEAR ADJUSTMENTS (continued)

Consolidated cash flow statement

	Year ended 31 December 2014		
	As previously reported RMB'000	Adjustments Increase/ (decrease) RMB'000	Restated RMB'000
Net cash generated from/(used in) operating activities	509,868	(763,962)	(254,094)
Net cash used in financing activities	(281,024)	142,549	(138,475)

	Year ended 31 December 2013		
	As previously reported RMB'000	Adjustments Increase/ (decrease) RMB'000	Restated RMB'000
Net cash generated from operating activities	548,870	(350,592)	198,278
Net cash generated from financing activities	291,042	350,592	641,634

(a) Increases of trade and other receivables

As a result of the financing for the customers and after adjusting for the settlement of those loans, the trade and other receivables were restated to RMB1,297,759,000 and RMB2,592,620,000 as at 31 December 2013 and 2014, respectively, from the previously stated amount of RMB1,097,547,000 and RMB1,652,244,000, respectively.

(b) Increase of bank loans

Bank loans of RMB250,000,000 were drawn in 2014 to facilitate the financing for customers. As a result, the bank loans were restated to RMB671,074,000 as at 31 December 2014 from the previously stated amount of RMB421,074,000.

(c) Amount due to a related party

The Group took certain interest-free advances from a Controlling Shareholder which were repayable on demand in 2013 to finance the loans to customers and partially repaid such advances subsequently, which resulted in a liability due to a related party in the amount of RMB200,212,000 and RMB92,762,000 as at 31 December 2013 and 2014, respectively.

(d) Change in consolidated cash flow statement

For reasons stated above, certain adjustments were also made to the consolidated cash flow statement, including: decreases in operating cash flow in the amount of RMB350,592,000 and RMB763,962,000 for the year ended 31 December 2013 and 2014, respectively, and increases in financing cash flow in the amount of RMB350,592,000 and RMB142,549,000 for the year ended 31 December 2013 and 2014, respectively.

The restatements do not affect the Group's net current assets, net assets, consolidated statement of profit or loss and other comprehensive income and profit attributable to equity shareholders of the Company.

5. REVENUE AND SEGMENT REPORTING

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.

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

The Group has five separate segments:

– Cloud-managed Service ("Cloud-managed Service"), which is a segment newly set up in 2015;

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

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

– Energy Efficiency Solutions ("EE Solutions"), which include product line series of Managed and Enhanced EE Solutions and Equipment-enhanced EE Solutions; and

– Components and Spare Parts Business ("CSP Business"), which includes product line series of Special CSP and Standard CSP.

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

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
Year ended 31 December 2015				
Cloud-managed Service	1,108	(832)	276	7
EDS Solutions	5,500	(4,245)	1,255	34
iEDS Solutions	1,385,303	(919,542)	465,761	8,505
Intelligent Power Grid Solutions	194,467	(122,728)	71,739	
Intelligent Power Distribution Integrated Solutions	1,190,836	(796,814)	394,022	
EE Solutions	879,566	(516,416)	363,150	5,400
Managed and Enhanced EE Solutions	841,707	(481,999)	359,708	
Equipment-enhanced EE Solutions	37,859	(34,417)	3,442	
CSP Business	202,169	(149,669)	52,500	1,241
Special CSP	116,981	(86,811)	30,170	
Standard CSP	85,188	(62,858)	22,330	
	2,473,646	(1,590,704)	882,942	15,187

5. REVENUE AND SEGMENT REPORTING (continued)

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
Year ended 31 December 2014				
Cloud-managed Service	–	–	–	–
EDS Solutions	9,615	(7,141)	2,474	67
iEDS Solutions	1,156,832	(784,683)	372,149	8,010
Intelligent Power Grid Solutions	193,950	(133,084)	60,866	
Intelligent Power Distribution Integrated Solutions	962,882	(651,599)	311,283	
EE Solutions	688,574	(401,023)	287,551	4,768
Managed and Enhanced EE Solutions	658,285	(375,002)	283,283	
Equipment-enhanced EE Solutions	30,289	(26,021)	4,268	
CSP Business	193,433	(133,171)	60,262	1,339
Special CSP	87,492	(60,065)	27,427	
Standard CSP	105,941	(73,106)	32,835	
	2,048,454	(1,326,018)	722,436	14,184

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

	2015 RMB'000	2014 RMB'000
Cost of sales	**15,187**	14,184
Administrative expenses	**8,867**	8,622
	24,054	22,806

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.

6. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Interest income from financial institutions	15,523	20,908
Other interest income	8,257	–
Investment income	10,511	43,946
Refund of value added taxes ("VAT")^	69,030	51,239
Net gain on disposal of available-for-sale investments	–	2,230
Government grants	936	1,896
Others	14,349	3,061
	118,606	123,280

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

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 RMB'000	2014 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	36,302	21,333
	Interest on factoring of trade receivables	43,743	52,784
		80,045	74,117
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	8,983	8,901
	Equity-settled share-based payment expenses (note 27)	11,781	4,785
	Salaries, wages and other benefits	124,368	79,645
		145,132	93,331
(c)	Other items:		
	Amortisation of intangible assets	570	579
	Amortisation of lease prepayments	1,927	1,927
	Depreciation	21,557	20,300
	Auditors' remuneration	5,714	3,307
	Impairment losses for trade and other receivables	5,641	13,042
	Operating lease charges in respect of properties	4,910	3,605
	Research and development (other than staff costs)	52,944	50,203
	Net loss on disposal of property, plant and equipment	4	110
	Net foreign exchange losses	6,217	3,849
	Cost of inventories sold#	1,590,704	1,326,018

7. PROFIT BEFORE TAXATION (continued)

Cost of inventories sold includes RMB54,453,000 (2014: RMB50,490,000) 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 7(b) and (c) for each of these types of expenses.

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

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

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC income tax for the year	100,074	85,580
(Over)/under-provision in respect of prior year	(2,703)	410
Withholding tax (note (iv))	1,385	11,516
Deferred tax		
Origination and reversal of temporary differences		
– Withholding tax (note (iv))	14,000	–
– Others	(6,262)	(3,112)
	106,494	94,394

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 RMB'000	2014 RMB'000
Profit before taxation	630,318	548,878
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	178,580	187,755
Tax effect of PRC preferential tax treatments (note (iii))	(85,624)	(66,076)
Tax effect of non-deductible expenses	9,122	12,095
Tax effect of non-taxable income	(4,729)	(46,771)
Tax effect of additional deduction on research and development expenses	(3,537)	(4,535)
(Over)/under-provision of tax expenses for prior year	(2,703)	410
Withholding tax (note (iv))	15,385	11,516
Actual tax expense	106,494	94,394

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

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

(ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Spain as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to Spanish Corporate Taxes during each of the years ended 31 December 2015 and 2014.

(iii) PRC income tax
Pursuant to the PRC Corporate Income Tax Law and its implementation, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25% except for (a) Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), Boer (Yixing) Power System Co., Ltd.* ("博耳（宜興）電力成套有限公司" or "Boer Yixing") and Shanghai Electrical Apparatus Research Institute Switch Apparatus Co., Ltd.* ("上海電科博耳電器開關有限公司" or "Shanghai Boer"), which are qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%; and (b) Boer (Wuxi) Software Technology Limited* ("博耳（無錫）軟件科技有限公司" or "Boer Software") which is a qualified Software Enterprise and is therefore entitled to a preferential tax rate of 12.5% in 2015 and 2014.

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

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

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

9. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

Directors' emoluments are as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Employee share-based compensation benefits RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive Directors					
Mr. Qian Yixiang	–	977	15	–	992
Ms. Jia Lingxia	–	781	15	–	796
Mr. Zha Saibin	–	781	15	–	796
Mr. Qian Zhongming	–	781	–	–	781
Mr. Huang Liang*	–	586	15	–	601
Non-executive Director					
Mr. Zhang Huaqiao	537	–	–	–	537
Independent Non-executive Directors					
Mr. Yeung Chi Tat	293	–	–	–	293
Mr. Tang Jianrong	195	–	–	–	195
Mr. Zhao Jianfeng*	195	–	–	–	195
Total	1,220	3,906	60	–	5,186

* Mr. Huang Liang and Mr. Zhao Jianfeng resigned from Executive Director and Independent Non-executive Director respectively on 5 February 2016.

9. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (continued)

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Employee share-based compensation benefits RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive Directors					
Mr. Qian Yixiang	–	954	13	–	967
Ms. Jia Lingxia	–	764	13	–	777
Mr. Zha Saibin	–	764	13	426	1,203
Mr. Qian Zhongming	–	769	–	–	769
Mr. Huang Liang	–	572	13	339	924
Non-executive Director					
Mr. Zhang Huaqiao	504	–	–	–	504
Independent Non-executive Directors					
Mr. Yeung Chi Tat	263	–	–	–	263
Mr. Tang Jianrong	175	–	–	–	175
Mr. Zhao Jianfeng	175	–	–	–	175
Total	1,117	3,823	52	765	5,757

The emoluments payable to the Groups' remaining nine (2014: eight) senior managements are within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$500,000	**8**	1
HK$500,001 to HK$1,000,000	**1**	7
	9	8

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

There was no arrangement under which a director or senior management waived or agreed to waive any emolument during the year (2014: Nil).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2014: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining one (2014: two) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**1,270**	1,209
Employee share-based payments	**–**	819
Contributions to retirement benefit schemes	**127**	127
	1,397	2,155

The emoluments of the one (2014: two) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	1	2

11. OTHER COMPREHENSIVE INCOME

	2015 RMB'000	2014 RMB'000
Available-for-sale investments		
Changes in fair value recognised during the year	**–**	2,385
Reclassification adjustments for amounts transferred to profit or loss:		
– upon gain on disposal	**–**	(2,230)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**–**	155

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB519,884,000 (2014: RMB458,917,000) and the weighted average of 749,227,000 ordinary shares (2014: 753,612,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015 **'000**	2014 '000
Issued ordinary shares at 1 January	**773,769**	776,469
Effect of shares repurchased	**–**	(185)
Effect of shares held for share award scheme	**(24,542)**	(22,672)
Weighted average number of ordinary shares at 31 December	**749,227**	753,612

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB519,884,000 (2014: RMB458,917,000) and the weighted average number of 749,257,000 ordinary shares (2014: 753,684,000 shares) in issue adjusted for the potential dilutive effect caused by the shares granted under the share award scheme (see note 27), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015 **'000**	2014 '000
Weighted average number of ordinary shares at 31 December	**749,227**	753,612
Effect of unvested shares under the Company's share award scheme	**30**	72
Weighted average number of ordinary shares (diluted) at 31 December	**749,257**	753,684

13. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Cost:							
At 1 January 2014	187,267	67,427	8,596	10,491	273,781	–	273,781
Additions	749	2,000	674	3,343	6,766	–	6,766
Transfer from construction in progress	–	9,228	–	–	9,228	–	9,228
Disposals	–	(350)	–	–	(350)	–	(350)
Exchange adjustments	9	–	–	1	10	–	10
At 31 December 2014	188,025	78,305	9,270	13,835	289,435	–	289,435
At 1 January 2015	**188,025**	**78,305**	**9,270**	**13,835**	**289,435**	**–**	**289,435**
Additions	**1,750**	**1,147**	**1,533**	**4,125**	**8,555**	**51,680**	**60,235**
Transfer from construction in progress	**–**	**110**	**–**	**–**	**110**	**–**	**110**
Disposals	**–**	**(143)**	**–**	**–**	**(143)**	**–**	**(143)**
Exchange adjustments	**18**	**–**	**–**	**2**	**20**	**–**	**20**
At 31 December 2015	**189,793**	**79,419**	**10,803**	**17,962**	**297,977**	**51,680**	**349,657**
Accumulated depreciation:							
At 1 January 2014	25,100	26,444	4,601	5,559	61,704	–	61,704
Charge for the year	10,112	6,782	1,363	2,043	20,300	–	20,300
Written back on disposals	–	(240)	–	–	(240)	–	(240)
Exchange adjustments	9	–	–	1	10	–	10
At 31 December 2014	35,221	32,986	5,964	7,603	81,774	–	81,774
At 1 January 2015	**35,221**	**32,986**	**5,964**	**7,603**	**81,774**	**–**	**81,774**
Charge for the year	**10,613**	**6,722**	**1,509**	**2,713**	**21,557**	**–**	**21,557**
Written back on disposals	**–**	**(139)**	**–**	**–**	**(139)**	**–**	**(139)**
Exchange adjustments	**19**	**–**	**–**	**3**	**22**	**–**	**22**
At 31 December 2015	**45,853**	**39,569**	**7,473**	**10,319**	**103,214**	**–**	**103,214**
Net book value:							
At 31 December 2015	**143,940**	**39,850**	**3,330**	**7,643**	**194,763**	**51,680**	**246,443**
At 31 December 2014	152,804	45,319	3,306	6,232	207,661	–	207,661

13. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 December 2015, the Group was in the process of obtaining the property ownership certificates in respect of certain properties and investment properties located in the PRC with net book values of RMB46,752,000 (2014: RMB49,312,000) and RMB51,680,000 (2014: Nil) respectively.

The Group's investment properties consist of commercial and industrial properties situated in the PRC. The fair value of the investment properties was RMB54,192,000 as at 31 December 2015 based on the valuation performed by a qualified independent real estate appraisal company in the PRC.

14. CONSTRUCTION IN PROGRESS

	2015 RMB'000	2014 RMB'000
At 1 January	**5,312**	1,373
Additions	**70,347**	13,167
Transfer to property, plant and equipment	**(110)**	(9,228)
At 31 December	**75,549**	5,312

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

15. INTANGIBLE ASSETS

	Software RMB'000	Customer relationship RMB'000	Trademark RMB'000	Total RMB'000
Cost:				
At 1 January 2014	619	18,293	5,205	24,117
Additions	226	–	–	226
Written off	–	(18,293)	–	(18,293)
Exchange adjustments	–	–	(240)	(240)
At 31 December 2014	845	–	4,965	5,810
At 1 January 2015	**845**	**–**	**4,965**	**5,810**
Additions	**54**	**–**	**10**	**64**
Exchange adjustments	**–**	**–**	**(90)**	**(90)**
At 31 December 2015	**899**	**–**	**4,885**	**5,784**
Accumulated depreciation:				
At 1 January 2014	247	18,293	543	19,083
Charge for the year	83	–	496	579
Written off	–	(18,293)	–	(18,293)
At 31 December 2014	330	–	1,039	1,369
At 1 January 2015	**330**	**–**	**1,039**	**1,369**
Charge for the year	**91**	**–**	**479**	**570**
At 31 December 2015	**421**	**–**	**1,518**	**1,939**
Net book value:				
At 31 December 2015	**478**	**–**	**3,367**	**3,845**
At 31 December 2014	515	–	3,926	4,441

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

16. LEASE PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January and 31 December	**83,526**	83,526
Accumulated amortisation:		
At 1 January	**6,176**	4,249
Charge for the year	**1,927**	1,927
At 31 December	**8,103**	6,176
Net book value:		
At 31 December	**75,423**	77,350

The Group's land is located in the PRC. The Group is granted with land use rights for a period of 50 years.

17. INVESTMENT IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid-up capital	Proportion of equity interest attributable to the Company: Direct	Indirect	Principal activities
Cheer Success Holdings Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
Power Investment (H.K.) Limited	Hong Kong	100,000 shares or HK$100,000	–	100%	Investment holding
Boer Energy Jiangsu Co., Ltd.* ("博耳能源江蘇有限公司") (note (ii))	PRC	RMB10,000,000	–	60%	Provision of energy efficiency solutions
Boer Wuxi (note (i))	PRC	US$71,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Boer Yixing (note (i))	PRC	US$16,250,000	–	100%	Design, manufacture and sale of electrical distribution equipment

(Expressed in Renminbi unless otherwise indicated)

17. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid-up capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Yixing Boai Automation Complete Sets of Equipment Co., Ltd. * (“宜興博艾自動化成套設備有限公司” or “Yixing Boai”) (note (i))	PRC	RMB110,000,000	–	100%	Design, manufacture and sale of electrical distribution equipment
Wuxi Boer Photovoltaic Technology Co., Ltd.* (“無錫博耳光伏科技有限公司”) (note (ii))	PRC	RMB4,000,000	–	60%	Development, manufacture and sale of photovoltaic products
Wuxi Boer Power Engineer Co., Ltd.*(“無錫博耳電氣工程服務有限公司”) (note (ii))	PRC	RMB5,000,000	–	100%	Provision of energy efficiency solutions
Boer Wuxi Tezhong Electrical Capacitor Co., Ltd.* (“博耳無錫特種電力電容器有限公司”) (note (ii))	PRC	RMB60,000,000	–	100%	Design, manufacture and sale of capacitors
Boer Electric Sales (China) Co., Ltd.* (“博耳電氣銷售(中國)有限公司”) (note (i))	PRC	US$8,000,000	–	100%	Trading of electrical distribution equipment
Sydenham (Wuxi) Switch Co., Ltd.* (“賽德翰(無錫)開關有限公司”) (note (i))	PRC	US$8,000,000	–	100%	Manufacture and sale of components and spare parts
Shanghai Boer (note (ii))	PRC	RMB35,000,000	–	100%	Manufacture and sale of components and spare parts
Temper Energy International, Sociedad Limitada	Spain	257,760 shares of EUR3.1 each	–	100%	Trading of components and spare parts
Boer Software (note (i))	PRC	HK$2,800,000	–	100%	Development and sale of software

17. INVESTMENT IN SUBSIDIARIES (continued)

Notes:

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

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

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

18. PREPAYMENT FOR AN INVESTMENT

During the year ended 31 December 2014, a subsidiary of the Group paid RMB30,180,000 to a third party company in the PRC in order to acquire an investment. At 31 December 2015, the transaction was not completed.

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	54,845	29,444
Work in progress	17,337	70,315
Finished goods	30,789	29,932
	102,971	129,691

20. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade receivables	2,922,656	1,368,862
Loans to customers	1,282,435	805,715
Retention receivables	165,204	149,644
Bills receivable	27,068	6,450
Prepayments, deposits and other receivables	233,570	261,949
	4,630,933	2,592,620

Loans to customers of RMB1,282,435,000 (2014: 805,715,000) were made for settlement of their outstanding amounts to the banks on behalf of its customers under the factoring arrangements.

All of the trade and other receivables except for retention receivables are expected to be recovered or realised within one year.

20. TRADE AND OTHER RECEIVABLES (continued)

(a) Impairment of trade receivables, loans to customers, retention receivables and bills receivable

Impairment losses in respect of trade receivables, loans to customers, retention receivables and bills receivable 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, retention receivables and bills receivable directly (see note 2(l)(i)).

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

	2015 RMB'000	2014 RMB'000
At 1 January	25,652	12,610
Provision for impairment loss recognised	5,641	13,042
Uncollectible amounts written off	(2,828)	–
Exchange adjustments	14	–
At 31 December	28,479	25,652

The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered or before refinancing the customers for repayment of their outstanding amounts due to the banks upon maturity of the existing factoring arrangements. The Group's review includes amongst other things, external ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. In addition, the terms and progress of the customer's project investment are also reviewed for refinancing of factoring receivables. The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. In the case of granting loans to customers, the Group will evaluate the value of the collaterals to ensure sufficiency of the existing pledge. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

(b) Ageing analysis

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

	2015 RMB'000	2014 RMB'000 (Restated)
Current	2,960,660	1,153,923
Less than 3 months past due	467,610	573,909
More than 3 months but less than 6 months past due	85,774	71,959
More than 6 months but less than 1 year past due	219,169	116,754
More than 1 year past due	664,150	414,126
Amounts past due	1,436,703	1,176,748
	4,397,363	2,330,671

20. TRADE AND OTHER RECEIVABLES (continued)

(b) Ageing analysis (continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a wide range of customers that have a good track record with the Group and/or have good financial strength. Based on experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The directors consider that this is in line with the industry practice especially for infrastructure investment projects. The directors have considered the projects involved and background of each overdue debtor and determined that no additional provision is needed.

At 31 December 2015, RMB2,105,235,000 of the Group's trade receivables and loans to customers balance were secured by the Group's customers, as follows:

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

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

21. PLEDGED DEPOSITS

Bank deposits have been pledged to banks for bank loans (see note 24), bills payable (see note 25) and quality guarantee issued to customers. These deposits will be released upon settlement of relevant bank loans and bills payable or expiry of relevant quality guarantee period.

22. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2015 and 2014, available-for-sale investments represented investments in unlisted wealth management products issued by banks in the PRC.

As at 29 March 2016, the Group redeemed wealth management products with principal amounts of RMB35,500,000 together with its returns.

Unlisted wealth management products of RMB64,000,000 (2014: RMB130,000,000) have been pledged against bank loan of HK$62,000,000 at the end of the reporting period (2014: USD68,300,000) (see note 24).

23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

(a) Cash and cash equivalents and time deposits comprise:

	2015 RMB'000	2014 RMB'000 (Restated)
Time deposits with original maturity within three months	–	421,655
Cash at bank and in hand	155,285	244,114
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	155,285	665,769
Time deposits with original maturity over three months	–	50,000
	155,285	715,769

At 31 December 2015, the balances that were placed with banks in the PRC amounted to RMB18,228,000 (2014: RMB658,492,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (continued)

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

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Profit before taxation		**630,318**	548,878
Adjustments for:			
– Amortisation of intangible assets	7(c)	**570**	579
– Amortisation of lease prepayments	7(c)	**1,927**	1,927
– Depreciation	7(c)	**21,557**	20,300
– Finance costs	7(a)	**80,045**	74,117
– Investment income	6	**(10,511)**	(43,946)
– Interest income from financial institutions	6	**(15,523)**	(20,908)
– Other interest income	6	**(8,257)**	–
– Net loss on disposal of property, plant and equipment	7(c)	**4**	110
– Net gain on disposal of available-for-sale investments	6	**–**	(2,230)
– Impairment losses for trade receivables	7(c)	**5,641**	13,042
– Equity-settled share-based payment expenses	27	**11,781**	4,785
– Net foreign exchange losses		**6,959**	3,849
Changes in working capital:			
– Increase in inventories		**(28,129)**	(60,722)
– Increase in trade and other receivables		**(2,094,155)**	(1,302,066)
– Increase in trade and other payables		**252,500**	551,602
Cash used in operations		**(1,145,273)**	(210,683)

(c) Major non-cash transactions

During the year, the Group has the following major non-cash transactions:

(i) Obtained certain properties from its customers for settlement of their trade receivable of RMB51,680,000; and

(ii) Transferred inventories of RMB54,849,000 to construction in progress.

24. BANK LOANS

At 31 December 2015, the effective interest rates of the bank loans of the Group were in the range from 1.30% to 6.50% per annum (2014: range from 2.35% to 5.60% (restated) per annum) and were secured by certain of the Group's assets as follows:

(i) Unlisted investments in wealth management products with principal amounts of RMB64,000,000; and

(ii) Pledged deposits of approximately RMB246,980,000.

As at 31 December 2015, bank loans of RMB909,253,000 were in connection with factoring arrangements with customers during the year.

25. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade payables	**1,289,704**	896,079
Bills payable	**231,071**	391,622
Receipts in advance	**11,274**	20,616
Other payables and accruals	**138,043**	99,724
	1,670,092	1,408,041

Bills payable as at 31 December 2015 and 2014 were secured by pledged bank deposits (see note 21).

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:

	2015 RMB'000	2014 RMB'000
Due within 1 month or on demand	**1,185,052**	1,022,505
Due after 1 month but within 3 months	**273,221**	224,057
Due after 3 months but within 6 months	**62,502**	41,139
	1,520,775	1,287,701

26. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authorities whereby these PRC subsidiaries are required to make a contribution at rates from 20% to 22% (2014: 20% to 22%) of the eligible employees' salaries to the Scheme. The Group has accrued for the required contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employees covered under the Scheme.

The Group also operates a Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The employees under the Group's Spanish subsidiary are regulated by law to participate in the State Pension Scheme. The State Pension Scheme is part of the social security system in Spain which is governed by the Ministry of Employment and Social Security of the Spanish Government. The Group and the employees are required to make mandatory contributions towards the State Pension Scheme at rates of 23.6% and 4.7% (2014: 23.6% and 4.7%), respectively, of the employee's relevant income, subject to a cap of monthly relevant income of EUR3,642.00 (2014: EUR3,597.00). The minimum contribution period to qualify for the retirement benefit is 15 years, with a full pension attainable after 35 years of contribution.

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

27. SHARE AWARD SCHEME

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

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

27. SHARE AWARD SCHEME (continued)

Movement in the number of shares held under the Scheme is as follows:

	Number of shares held '000	Amount RMB'000
At 1 January 2014	26,763	99,690
Purchase during the year	3,980	24,710
Shares granted to employees and vested during the year	(4,380)	(15,929)
At 31 December 2014 and 1 January 2015	**26,363**	**108,471**
Shares granted to employees and fully vested during the year	**(2,020)**	**(8,350)**
At 31 December 2015	**24,343**	**100,121**

During the year ended 31 December 2015, the Company granted a total of 2,020,000 shares to thirty employees of the Group which were vested during the year (2014: 4,380,000 shares granted during the year ended 31 December 2013 were vested during the year ended 31 December 2014.) Details are as follows:

Grant date	Vesting date	Number of shares awarded '000	Number of shares vested '000	Average fair value per share RMB	Equity-settled share-based payment expense recognised in 2015 RMB'000
30 January 2015	6 February 2015	**1,390**	**1,390**	**5.79**	**8,044**
4 February 2015	6 February 2015	**630**	**630**	**5.93**	**3,737**
		2,020	**2,020**		**11,781**

The fair value of the shares awarded on the grant date was determined by reference to a number of factors including the market price of the Company's share and the six-month lock-up period of these shares awarded.

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015 RMB'000	2014 RMB'000
Prepaid withholding tax on dividends distribution	**8,111**	9,496
Provision for PRC income tax	**50,199**	49,204

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

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

Deferred tax arising from:	Provision for impairment of trade receivables RMB'000	Unrealised profits of intragroup sales RMB'000	Fair value adjustments of assets RMB'000	Accrued expenses RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2014	2,430	1,873	(2,574)	544	–	2,273
Credited to profit or loss (note 8(a))	2,133	433	234	312	–	3,112
At 31 December 2014	4,563	2,306	(2,340)	856	–	5,385
At 1 January 2015	**4,563**	**2,306**	**(2,340)**	**856**	**–**	**5,385**
Credited/(charged) to profit or loss (note 8(a))	**85**	**5,318**	**274**	**585**	**(14,000)**	**(7,738)**
At 31 December 2015	**4,648**	**7,624**	**(2,066)**	**1,441**	**(14,000)**	**(2,353)**

	2015 RMB'000	2014 RMB'000
Representing:		
Net deferred tax assets	**13,713**	7,725
Net deferred tax liabilities	**(16,066)**	(2,340)
	(2,353)	5,385

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax liabilities not recognised

The Group is subject to 5% (2014: 5%) withholding tax on dividends declared by its PRC subsidiaries in respect of their profits earned (see also note 8(b)(iii)). As at 31 December 2015, deferred tax liabilities in respect of temporary differences relating to undistributed profits of RMB1,521,194,000 (2014: RMB1,310,120,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2015 and 2014.

29. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses) /retained profits RMB'000	Total RMB'000
At 1 January 2014		66,241	(99,690)	817,123	9,218	141	(155)	(78,583)	3,890	718,185
Profit for the year		–	–	–	–	–	–	–	52,137	52,137
Other comprehensive income		–	–	–	–	–	155	16,244	–	16,399
Total comprehensive income for the year		–	–	–	–	–	155	16,244	52,137	68,536
Dividends approved in respect of the previous year										
– Special dividend	29(b)(ii)	–	–	(100,958)	–	–	–	–	–	(100,958)
– Final dividend	29(b)(ii)	–	–	(84,715)	–	–	–	–	–	(84,715)
Repurchase of shares	29(c)	(231)	–	(16,226)	–	231	–	–	–	(16,226)
Shares purchased for share award scheme	27	–	(24,710)	–	–	–	–	–	–	(24,710)
Equity-settled share-based transaction		–	–	–	4,785	–	–	–	–	4,785
Vesting of shares granted under share award scheme	27	–	15,929	–	(15,929)	–	–	–	–	–
At 31 December 2014		66,010	(108,471)	615,224	(1,926)	372	–	(62,339)	56,027	564,897

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Movements in components of equity (continued)

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015		66,010	(108,471)	615,224	(1,926)	372	–	(62,339)	56,027	564,897
Profit for the year		–	–	–	–	–	–	–	81,744	81,744
Other comprehensive income		–	–	–	–	–	–	19,054	–	19,054
Total comprehensive income for the year		–	–	–	–	–	–	19,054	81,744	100,798
Dividends approved in respect of the previous year										
– Special dividend	29(b)(ii)	–	–	(109,144)	–	–	–	–	–	(109,144)
– Final dividend	29(b)(ii)	–	–	(114,072)	–	–	–	–	–	(114,072)
Equity-settled share-based transaction	27	–	–	–	11,781	–	–	–	–	11,781
Vesting of shares granted under share award scheme	27	–	8,350	–	(8,350)	–	–	–	–	–
Dividends declared in respect of the current year										
– Interim dividend	29(b)(i)	–	–	(162,158)	–	–	–	–	–	(162,158)
– Special dividend	29(b)(i)	–	–	(126,779)	–	–	–	–	–	(126,779)
At 31 December 2015		66,010	(100,121)	103,071	1,505	372	–	(43,285)	137,771	165,323

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid of HK26 cents per share (2014: Nil)	**162,158**	–
Special dividend declared and paid of HK20 cents per share (2014: HK18 cents declared after the end of the reporting period)	**126,779**	109,144
Second special dividend proposed after the end of the reporting period of HK13 cents per share (2014: Nil)	**81,555**	–
Final dividend proposed after the end of the reporting period (2014: HK19 cents per share)	**–**	114,072
	370,492	223,216

The dividends declared and proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends (continued)

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:*

	2015 RMB'000	2014 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the year, of HK18 cents per share (2014: HK17 cents)	**109,144**	100,958
Final dividend in respect of the previous financial year, approved and paid during the year, of HK19 cents per share (2014: HK14 cents)	**114,072**	84,715
	223,216	185,673

(c) Share capital

Details of authorised and issued share capital are as follows:

	2015 RMB'000	2014 RMB'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000

	Note	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:					
At 1 January 2014		**0.10**	**776,469**	**77,647**	**66,241**
Repurchase of shares		**0.10**	**(2,700)**	**(270)**	**(231)**
At 31 December 2014 and 31 December 2015		**0.10**	**773,769**	**77,377**	**66,010**

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Shares held for share award scheme*

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

(iii) *Employee share-based compensation reserve*

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

(iv) *Statutory reserve*

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

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

(v) *Capital reserve*

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

(vi) *Capital redemption reserve*

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

(vii) *Fair value reserve*

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies as set out in note 2(e) and 2(l)(i).

(viii) *Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 2(w).

29. CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserve

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$120,483,000 (2014: HK$627,497,000). After the end of the reporting period the directors declared a second special dividend amounting to RMB81,555,000 (see note 29(b)(i)). These dividends have not been recognised as liabilities at the end of the reporting period.

(f) Capital management

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

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

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

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which each new customer is assessed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered or before refinancing the customers for repayment of their outstanding amounts due to the banks upon maturity of the existing factoring arrangements. The Group's review includes amongst other things, external ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. In addition, the terms and progress of the customer's project investment are also reviewed for refinancing of factoring receivables. The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. In the case of granting loans to customers, the Group also evaluates the value of the collaterals to ensure sufficiency of the existing pledge. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The Group's financial factoring model is mainly targeted at customers from the real estate and medical services industries, with a minimum project contract amount of RMB10,000,000. The Group selectively offers its financial factoring models to customers which meets certain criteria and for different stages of its project investment. For the medical industry, factors considered include the government rating of hospitals, the class, size and remoteness of the medical clinics. For customers from the real estate sector, factors which are taken into consideration include the ranking of the real estate development enterprises and the qualifications issued by the Ministry of Housing and Urban-Rural Development of the PRC. The Group also performs review on the customer's credit history, legal status and on-site visits to thoroughly understand the status of the customer's investment project before concluding whether the customer is suitable for the Group's financial factoring model. Customers that adopt the Group's financial factoring model is required to provide collaterals to the Group and the collaterals may be in the form of pledge of assets, equity interests and personal or corporate guarantees, the minimum amount of which is determined based on a standard calculation basis. The basis of calculation differs depending on the types of security and/or guarantee provided and the total investment amount of the project contracted with the Group. The Group monitors the status of the projects and obtains updated comprehensive information in respect of the customers on a monthly basis in order to identify and closely monitor customers with risk of default. As at 31 December 2015, bank loans of RMB909,253,000 were in connection to factoring arrangements with customers during the year.

At the end of the reporting period, the Group has a certain concentration of credit risk as 4% and 18% (2014: restated at 5% and 17%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2015. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

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

During the year, the Group acquired investments in unlisted wealth management products issued by banks, financial institutions or asset management companies. The management has set in place credit limits for each individual counterparties and regular periodic reviews are conducted to ensure that the limits are strictly adhered to. The management considers that the default risk is remote given that the investments are held with counterparties operating under regulatory bodies and the Group does not expect any significant counterparty risk.

(b) Liquidity risk

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

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

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

	2015			2014		
	Carrying amount at 31 Dec RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	Carrying amount at 31 Dec RMB'000 (Restated)	Total contractual undiscounted cash flow RMB'000 (Restated)	Within 1 year or on demand RMB'000 (Restated)
Bank loans	**1,851,562**	**1,915,102**	**1,915,102**	671,074	679,289	679,289
Trade and other payables	**1,670,092**	**1,670,092**	**1,670,092**	1,408,041	1,408,041	1,408,041
Amount due to a related party	**26,556**	**26,556**	**26,556**	92,762	92,762	92,762
	3,548,210	**3,611,750**	**3,611,750**	2,171,877	2,180,092	2,180,092

As at 31 December 2015, bank loans of RMB909,253,000 were in connection to factoring arrangements with customers during the year.

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

(c) Interest rate risk

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

	2015		2014	
	Effective interest rate per annum	RMB'000	Effective interest rate per annum (Restated)	RMB'000 (Restated)
Fixed rate instruments:				
Bank loans	**5.35–6.50%**	**1,159,253**	2.45–5.60%	337,502
Variable rate instruments:				
Bank loans	**1.30–5.35%**	**692,309**	2.35–2.77%	333,572
Total instruments		**1,851,562**		671,074

As at 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profit for the year by approximately RMB6,465,000 (2014: RMB3,115,000).

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

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

(d) Currency risk

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

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

The management does not expect that there will be any significant currency risk for the Group for both years ended 31 December 2015 and 2014.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

31. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	**–**	13,599
Authorised but not contracted for	**156,890**	164,100
	156,890	177,699

31. COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**2,375**	2,425
After 1 year but within 5 years	**1,330**	2,839
After 5 years	**741**	–
	4,446	5,264

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

32. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Advances from a related party

During the year ended 31 December 2015 and 2014, Wuxi Boer Power Instrumentation Company Ltd.* ("無錫博耳電力儀錶有限公司"), which is a company controlled by Mr Qian Yixiang, controlling shareholder and executive director of the Company, provided advances to the Group. As at 31 December 2015, the amount outstanding was approximately RMB26,556,000 (2014: RMB92,762,000). The amount was unsecured, interest free and repayable on demand.

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

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**7,245**	7,662
Contributions to defined contribution retirement plans	**247**	331
Equity-settled share-based payment expenses	**–**	3,442
	7,492	11,435

Total remuneration is included in "staff costs" (see note 7(b)).

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

The related party transactions mentioned in note 32(a) and 32(b) above constitute connected transaction as defined in Chapter 14A of the Listing Rules. However, the transactions are exempt from relevant disclosure requirements under Rules 14A.90 and 14A.95 of the Listing Rules.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment in subsidiaries		39,997	28,214
Amounts due from subsidiaries		237,928	472,137
		277,925	500,351
Current assets			
Other receivables		11,819	11,183
Cash at bank		387	53,366
		12,206	64,549
Current liabilities			
Bank loans		124,781	–
Other payables		27	3
		124,808	3
Net current (liabilities)/assets		(112,602)	64,546
NET ASSETS		165,323	564,897
CAPITAL AND RESERVES	29(a)		
Share capital		66,010	66,010
Reserves		99,313	498,887
TOTAL EQUITY		165,323	564,897

(Expressed in Renminbi unless otherwise indicated)

34. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the immediate parent and ultimate controlling party of the Group to be King Able Limited which is incorporated in the BVI, and Mr. Qian Yixiang and Ms. Jia Lingxia who are the controlling shareholders, respectively. King Able Limited does not produce financial statements available for public use.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.