BOER 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 2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhang Huaqiao

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kwok Yuk Chun

AUTHORISED REPRESENTATIVES

Ms. Jia Lingxia
Ms. Kwok Yuk Chun

AUDITOR

KPMG

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COMPANY'S WEBSITE

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FINANCIAL SUMMARY

	2016 RMB'000	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000 (Restated)	2012 RMB'000
Revenue and Profit					
Revenue	**458,273**	2,473,646	2,048,454	1,353,992	1,221,214
(Loss)/profit before taxation	**(882,569)**	630,318	548,878	361,894	324,437
Income tax credit/(expense)	**151,624**	(106,494)	(94,394)	(17,027)	(30,296)
(Loss)/profit for the year	**(730,945)**	523,824	454,484	344,867	294,141
(Loss)/profit attributable to:					
Equity shareholders of the Company	**(704,397)**	519,884	458,917	345,109	294,141
Non-controlling interests	**(26,548)**	3,940	(4,433)	(242)	–
Assets and Liabilities					
Non-current assets	**638,157**	448,209	335,792	304,756	314,834
Current assets	**3,381,966**	5,365,871	4,080,501	3,120,866	2,078,927
Current liabilities	**(2,172,046)**	(3,571,853)	(2,221,081)	(1,460,469)	(650,146)
Non-current liabilities	**(499,337)**	(42,622)	(2,340)	(2,574)	(5,968)
Net assets	**1,348,740**	2,199,605	2,192,872	1,962,579	1,737,647
Equity attributable to:					
Equity shareholders of the Company	**1,369,267**	2,196,240	2,193,447	1,958,821	1,737,647
Non-controlling interests	**(20,527)**	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

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Boer Power Holdings Limited (the "Company" or "Boer Power") and its subsidiaries (collectively, the "Group"), I report to shareholders the annual results of the Group for the year ended 31 December 2016 (the "Year 2016" or the "Year").

The Group considers the Year 2016 as an adjustment cycle. The Group shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management, and put efforts to improve the Group's assets and liabilities structure and cash flow level during the Year. Impacted by objective factors such as the shift of operation focus and the fact that the business model is undergoing significant strategic adjustment, the Year 2016 was a hard year for business development. Despite the unsatisfactory sales revenue, net loss and delivery of outstanding contract backlog as well as pressure on profitability, the Group achieved significant progress in terms of enhancement of corporate internal management, collection of trade receivables and adjustment of business model. Looking back to the Year 2016, with the adjustment to the operation, management and business model, the collection of the Group's trade receivables continued to perform well and the assets and liabilities structure and operating cash flow level also delivered significant improvement during the Year. As at 31 December 2016, the trade receivables, loans to customers, retention receivables, bill receivables and gross amount due from customers from contract work of the Group amounted to RMB2,581,711,000, representing a decrease of 41.3% from RMB4,397,363,000 as at 31 December 2015. Meanwhile, the Group recorded a significant year-on-year decrease in both trade payables and bank loans. I believe that the Group has gone through the most difficult times since the unfavorable factor of the loss for the year was resulted from the adjustment cycle instead of the decisive factor that long exists and which affects the Group's sales and profitability and the Group has completed the adjustment in 2016. Given the continual improvement in the fundamentals of the intelligent electricity distribution and energy management industry, it is believed that the Group's business will regain stable growth in 2017.

From offering traditional electricity distribution solutions to one-stop solutions of a combination of high-end intelligent electricity distribution and energy management, the Group always upholds its corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment". In 2016, the Group's business failed to sustain the conventional rapid expansion, hampered by various objective factors such as the adjustment of business model. Leveraging on the sensitive industry insights, the Group seised the development opportunities from the photovoltaic industry and made a bold attempt of adopting the new model "Building-Transfer" during the year, achieving new breakthroughs in the photovoltaic business. During the year, the Group reached strategic cooperation with large enterprises including Shanghai Galaxy Investment Co, Ltd (上海星河數碼投資有限公司, "Shanghai Galaxy"), a group member of Shanghai Industrial Investment (Holdings) Co., Ltd (上海實業(集團)有限公司, "Shanghai Industrial") and AVIC International Renewable Energy Co., Ltd. (中航國際新能源發展有限公司, "AVIC International") in relation to the development, investment, construction, operation and maintenance of photovoltaic power stations and rooftop distributed power stations in the PRC, and such cooperation were well progressed.

The Group has set strong foot-holds in the electricity distribution field for more than 30 years. For the recent years, the Group has vigorously expanded its presence in industries such as data center, telecommunications and medical services that present strong demand for intelligent electricity distribution and energy management products and services, and has established long-term cooperation relationship with leading enterprises in these industries. Meanwhile, the Group has solid customer base and sound reputation in industries such as rail transit and consumption. In view of the predicament from the adjustment of business model in 2016, the Group fully capitalised its long-standing brand and technological advantage and continued to obtain new orders in the industries of telecommunications, data center, medical services, rail transit as well as from long term foreign customers, including China United Network Communication Group Co. Ltd. ("China Unicom"), GDS Service Ltd ("GDS"), Qingdao Metro Group Co. Ltd ("Qingdao Metro"), AB InBev, etc. Further, with the continued improvement in expanding overseas presence, the Group successfully entered emerging markets such as Bangladesh and Oman in 2016.

As a leading brand in the industry, the Group has internally insisted on increasing R&D effort to maintain product and technological advantage and externally sought powerful alliances, with a view to further enhance the Group's competitive advantage and market share in key industry sectors. Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), a wholly-owned subsidiary of the Group, obtained the certification of supplier qualification issued by State Grid, proving the industry-leading quality of various equipment produced by the Group, including high voltage switch board, ring main unit and box-type switching station. We believe this is conducive to further promote the cooperation between the Company and State Grid in the future and is beneficial to the Company's business expansion in the power grid industry. Leveraging on the understanding of market development trends and customer demand, the Group launched 16 new products in total, obtained 6 new patents and 19 new software copyrights, and had 8 patent applications during the year. For foreign cooperation, the Group entered into a strategic cooperation agreement with "Formosa", a subsidiary of Formosa Plastics Corporation. The parties will commence full cooperation in the field of corporate energy management services in respect of product development, sales, design, technical consultation, etc.

In 2016, the Group achieved impressive results in brand building, and the brand is widely recognised by all walks of life. The Group received numerous honors including "China's Top 100 Electrical Industry Enterprises" (中國電氣工業百強企業), "China's Top 500 Real Estate Supplier Brand" (中國房地產500強首選供應商品牌), "Excellent Enterprises in Jiangsu Province" (江蘇省優秀企業), "Key Service Institutions for Demonstration and Promotion of Internet-based Development in Jiangsu Province" (江蘇省企業互聯網化重點示範推廣服務機構), etc. Boer Wuxi, a subsidiary of the Group, was qualified as the "Intelligent Electricity Distribution Equipment and Energy Saving Research Center" by the Jiangsu Science and Technology Bureau during the year; Boer (Wuxi) Software Technology Limited, also a subsidiary of the Group, was granted the "Jiangsu Private-owned Science and Technology Enterprise" Certification. In addition, the Group's social influence continued to expand. The Second National Undergraduate Students Competition of BOER Cup (博耳杯第二屆全國大學生創客大賽) hosted by the Group was selected as the "Top 10 Influential Event of Software and Information Technology Services Enterprises in Wuxi City in 2016" (二零一六年度無錫市軟件和信息技術服務企業十大最具影響力事件).

The Group experienced adverse operating environment in 2016. I, on behalf of the Board, would like to express my most sincere gratitude to the management and the entire staff who have shown utmost diligence and dedication over the period and worked together with the Group to get through the hard times. I would also like to extend my gratitude for the continuing support of our shareholders, investors, long-term customers and business partners who have expressed continual concern over the Group's development during the difficult times. The Group's business expansion and sales made a good start in 2017. As at 27 March 2017, the Group achieved sales amount of approximately RMB202,379,000. The settlement of trade receivables continued to perform well and fall within our expectation. As at 27 March 2017, the Group received over RMB284,205,000 from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work as at 31 December 2016. We, thus, are confident and believe that our performance shall readily get back onto the growth track given the Group's forefront technology and R&D capacity, diversified products and services in line with market demand, rich project experience and solid customer base.

Qian Yixiang
Chairman

28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2016, against the complicated economic environment abroad and overseas, China's government maintained the national economy fluctuation in a reasonable range. The annual gross domestic product ("GDP") registered a year-on-year growth of 6.7%, reclaiming the top spot globally in terms of economic growth whereas the economic aggregate reached RMB74.4 trillion, delivering the good start of "13th Five-Year Plan for economic and social development of the PRC". Throughout the year of 2016, the Chinese economy maintained reasonable growth with the economic structure continued to improve. During the year, the contribution of final consumption expenditure to the economic growth reached 64.9%, and the added value of large-scale industries recorded an actual growth of 6.0% year-on-year.

Entering into the industrial 4.0 era, electrical distribution system is subject to stricter requirement on the quality and reliability among power systems. Moreover, the national policy promoted the power grid construction and restructuring, driving growth in demand for high-end power transmission/distribution equipment with a highly-performed, environmentally friendly and intelligent nature. Large-scale leading enterprises in the industry with advanced technology and production process thus ushered in important development opportunities.

Meanwhile, pursuing the sustainable development of national economy and accelerating the transformation into clean and low-carbon energy, China's photovoltaic industry recorded robust development in 2016, with a steady growth in industry scale. As of 31 December 2016, the incremental and cumulative installed capacity of photovoltaic power generation in China ranked first in the world with incremental installed capacity of 34.54 gigawatt ("GW") achieving an aggregate installed capacity of 77.42GW. In particular, distributed power stations recorded a year-on-year growth of 200% and reached 4.24GW. The Group seised the opportunities of the photovoltaic industry development during the year and realised a breakthrough in the development of photovoltaic business.

China is approaching to the big data era under which the scale of data center sustained rapid growth and recorded a year-on-year growth of approximately 40.4% in 2016, the total market scale is expected to reach RMB72.87 billion. Despite the rapid growth of data center, the average power use efficiency ("PUE") of data center is generally greater than 2.2. The issue of high energy consumption needs to be addressed urgently. The urgent demand for energy saving of data center serves as a strong driver for the growth in market demand for intelligent distribution and energy saving products and services. Data center has always been the key segment of the Group's business development. During the year, the Group maintained close cooperative relationship with certain long-term customers such as GDS Data Center, and has proactively took part in the construction of its new data center.

Guided by the national policies of power grid construction and restructuring and the new round of rural power grid restructuring and upgrade, the investment in power grid engineering construction in China exceeded RMB50 billion in 2016, registering a significant growth of 16.9% to RMB54.26 billion in total. During the year, the investment focus of power grid gradually shifted to intelligent power grid and power grid construction with a rather apparent tendency towards distribution side and power terminal, driving continual rapid growth in demand for quality intelligent power distribution equipment.

BUSINESS REVIEW

The substantial loss for the year is mainly attributable to the fact that the Group shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management during the year of 2016. Impacted by the adjustment of the model of the factoring business, certain outstanding contract backlogs of the Group were cancelled or not completed as scheduled. The Group also adopted a conservative strategy for the entering into and execution of new orders during the year under review, resulting in a relatively slow progress in business and unsatisfactory sales revenue for the year. Moreover, the Group has decided to make a provision for doubtful debts of the trade receivables, loans to customers and retention receivables during the year of 2016 due to increased age of trade receivables, which was also one of the major factors leading to the substantial loss for the Group for the year. In 2016, the Group's revenue and net loss for the year was impacted given the slowdown of business expansion due to the inevitable impact from the adjustment of operation focus. The Group, however, stepped up efforts in collection of trade receivables and made attempts to cooperate with third party capital investors, including the strategic cooperation with certain partners such as China Great Wall Asset Management Corporation* (長城資產管理有限公司) and Jiangsu Financial Leasing Co., Ltd.* (江蘇金融租賃股份有限公司), thereby further settling and revitalizing outstanding trade receivables. During the year, the settlement of trade receivables continued to perform well whereas trade payables and bank loans significantly reduced, which significantly improved the asset and liabilities structure and cash flow level of the Group. As at 31 December 2016, the trade receivables, loans to customers, retention receivables, bills receivables and gross amount due from customers from contract work of the Group amounted to RMB2,581,711,000, representing a decrease of 41.3% from RMB4,397,363,000 as at 31 December 2015.

Leveraging on the long-standing brand and technological advantage, the Group's core businesses continued to obtain new orders in the fields of telecommunications, data center, medical services, rail transit, overseas markets and long term foreign customers, and achieved admirable progress in the business expansion of photovoltaic segment.

During the twelve months ended 31 December 2016, the business of the Group can be divided into the following four segments:

- 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 2016, iEDS Solutions and EE Solutions recorded revenue of approximately RMB124,255,000 and RMB159,787,000 respectively. As of 31 December 2016, the Group's outstanding contract backlog amounted to approximately RMB1,667,299,000, all of which were orders obtained from non-factoring model.

On the basis of maintaining good cooperation with existing long-term customers and having the advantage of key industry sector, the Group seised the development opportunities of the photovoltaic market in China, promoted the development of photovoltaic business and made its first attempt of the new business model "Build-Transfer". During the year, the Group reached strategic cooperation with Shanghai Industrial in relation with the development, investment and construction of photovoltaic power stations and rooftop distributed power stations with total installed capacity of 100MW in the PRC and the sales of the same to Shanghai Galaxy upon construction as well as the provision of operation and maintenance services. In addition, Shanghai Galaxy intends to acquire the majority of photovoltaic power station assets held by the Group at a consideration of RMB200-300 million, of which the acquisition of 20MW photovoltaic power station of Gannan Longyang was completed in November 2016 and the acquisition of remaining photovoltaic power station assets is progressing orderly. Coincidentally, the Group also entered into a strategic cooperation agreement with AVIC International in relation to the proposed cooperation for the business of development, investment, construction, operation and maintenance of photovoltaic power station.

In 2016, the Group's "One-stop Data Center Solution" for data centers can accommodate the demand of IDCs in terms of safety, efficiency, energy saving and consumption reduction. Therefore, the solution is widely applied on data centers established by telecommunication operators, online content providers, financial institutions and other industries. The Group has also successfully established good long-term relationship with the market leaders of the telecommunications and data center industries. During the year, the Group once again collaborated with GDS Data Center and won the bid for the newly built data center project no. 90 located in Shanghai Waigaoqiao to provide integrated solutions of high and low voltage intelligent electricity distribution for the project.

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

Leveraging our leading technological strength, quality products and services as well as competitive prices, the Group has established a stable customer base in industries such as rail transit and consumption and maintained long-term cooperation with prestigious enterprises in various industries. Our professional strength has been recognised among customers. In 2016, the Group once again partnered with Qingdao Metro and won the bid for Qingdao Metro Line 2 Project Phase I, with a contract amount of over RMB35,000,000. The Group has maintained a 6-year relationship with AB InBev, a global leading brewery company, providing solution for the high and low voltage intelligent electricity distribution to a total of 12 brew houses under AB InBev. During the year, the Group successfully won the bid for the relocation project Phase I of AB InBev Xuejin (Putian) Brewery Co., Ltd., with a contract amount of over RMB27,000,000. On top of strengthening the cooperation with long-term customers, the Group has been proactively seeking opportunities in quality projects of different industry sectors. During the year under review, the Group successfully won the bid for Hefei Yuefang International Center Project, the first metro stations shopping mall in Binhu District, Hefei, whereas the Group shall provide the integrated solution for electricity distribution. In addition, the Group has added another successful application in the medical services industry. Zhoukou East New District People's Hospital, of which the integrated solution for medical services was provided by the Group, officially commenced its operation.

The Group has over 30 years of professional experience in electricity distribution and has collected rich data of power consumption, and has developed several industry-specific and effective integrated solutions for electricity distribution and energy management. Given the Group's leading position in the industry, "Formosa", an energy management software and energy saving products solution provider under Formosa Plastics Corporation, one of the Fortune 500 companies, signed a strategic cooperation agreement with the Group. The parties proposed an in-depth cooperation in areas such as development of energy efficiency software, sales of energy saving products, design of energy saving plan, consultation of energy saving technology and construction of distributed photovoltaic projects. It is believed that the strategic cooperation will further enhance the Group's advantage in energy saving management services for enterprises.

For the overseas market, in 2016, Southeast Asian and Middle East countries stepped up efforts in developing infrastructure construction. Besides, the launch of the "One Belt, One Road" initiative accelerated the implementation of infrastructure construction project in the covered areas and released enormous demands, laying the foundation for achieving "go global" among Chinese manufacturing enterprises of power transmission/distribution and controlling equipment. During the year, the Group sought opportunities to reach cooperation with China National Technical Import & Export Corporation in terms of the combined-cycle power plant project in Curacao, Bangladesh, and won the bid for a number of combined-cycle power plant projects in Oman. The Group is optimistic about the development of the global intelligent electricity distribution industry and has made early efforts in developing global presence. As of 31 December 2016, the Group has established overseas branches and sales companies in four countries, namely Spain, Mexico, Indonesia and UAE and established a research and development base in Spain for product development to meet local demands. The Group believed that this is conducive to gradually ratcheting up its market share in European markets by the Group.

During the year, the Group increased its research and development capacity, which further enhanced the Group's technological competitiveness and enabled us to stand still amidst the fierce industry competition. In 2016, the Group launched a total of 16 new products, including X-smart gas insulated equipment, double pole moulded-case circuit breaker of NLE series, micro circuit breaker of BRX3 series, KYN61 high pressure air insulated cabinet, PMW160 capacitor cabinet 16-channel temperature detector, PMW1600D double-charging DC vehicle charging station.

The total revenue of the Group amounted to approximately RMB458,273,000 for the year ended 31 December 2016, representing a decrease of 81.5% as compared to that of 2015. The decrease in revenue was mainly attributable to the fact that the Company's management shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management, and the Company put efforts to improve the Group's asset and liabilities structure and cash flow level during the year of 2016. As the Group has adjusted the model of the factoring business, certain outstanding contract backlogs were cancelled or not completed as scheduled. The Group also adopted a conservative strategy for the entering into and execution of new orders in the year of 2016, resulting in a relatively slow progress in business.

The total loss attributable to the equity shareholders of the Company amounted to approximately RMB704,397,000 for the year ended 31 December 2016 (2015: profit of approximately RMB519,884,000). The loss was mainly due to the decline in revenue contribution from both the iEDS Solutions and EE Solutions business segments and provision of impairment losses for trade and other receivables for increased aging as the customers need more time to improve their cash flow and/or operations.

As at 31 December 2016, the total assets of the Group were approximately RMB4,020,123,000 (31 December 2015: approximately RMB5,814,080,000) while the total liabilities were approximately RMB2,671,383,000 (31 December 2015: approximately RMB3,614,475,000) and the total equity of the Group amounted to approximately RMB1,348,740,000 (31 December 2015: approximately RMB2,199,605,000).

The Group's trade payables and bills payable, and bank loans have recorded a substantial decrease to RMB804,699,000 (2015: RMB1,520,775,000) and RMB1,189,513,000 (2015: RMB1,851,562,000) respectively.

OPERATION AND FINANCIAL REVIEW

The Company's management shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management in the year 2016. The Group also adopted a conservative strategy for the entering into and execution of new orders. As a result, the iEDS Solutions and EE Solutions result in a decrease of sales amount as well as the gross profit percentage.

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 2016 amounted to approximately RMB4,955,000 (2015: approximately RMB5,500,000), representing approximately 1.2% (2015: approximately 0.2%) of the Group's total revenue for the year. A decrease in sales of EDS Solutions of 9.9% was recorded and the gross profit of this business segment was approximately RMB1,080,000 (2015: approximately RMB1,255,000), representing a decrease of 13.9% as compared to that of 2015.

The gross profit margin of EDS Solutions segment decreased from 22.8% for 2015 to 21.8% 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 2016 was approximately RMB124,255,000 (2015: approximately RMB1,385,303,000), which accounted for approximately 27.1% (2015: approximately 56.0%) of the Group's total revenue for the year. The decrease in the sales of iEDS Solutions was 91.0% for the year ended 31 December 2016. This is mainly due to the Group's reforming the factoring business. The relevant contracts were reviewed and renegotiated which resulted in unexecuted and incompleted contracts. The gross profit of this business segment was approximately RMB16,225,000 (2015: approximately RMB465,761,000), representing a decrease of 96.5% as compared to that of 2015.

The gross profit margin of iEDS Solutions segment decreased from 33.6% for 2015 to 13.1% for the year. The decrease was mainly due to cancellation of orders and goods return in relation to previous years.

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 2016 was approximately RMB159,787,000 (2015: approximately RMB880,674,000), which accounted for approximately 34.8% (2015: approximately 35.6%) of the Group's total revenue for the year. This is mainly due to the Group's reforming the factoring business. The relevant contracts were reviewed and renegotiated which resulted in unexecuted and incompleted contracts. The gross profit of this business segment was approximately RMB24,747,000 (2015: approximately RMB363,426,000), representing a decrease of 93.2% as compared to that of 2015.

The gross profit margin of EE Solutions segment decreased from 41.3% for 2015 to 15.5% for the year. The decrease was mainly due to cancellation of orders and goods return in relation to previous years.

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 2016 was approximately RMB169,276,000 (2015: approximately RMB202,169,000), which accounted for approximately 36.9% (2015: approximately 8.1%) of the Group's total revenue for the year. A decrease in the sales of CSP Business of 16.3% for the year ended 31 December 2016 was recorded. The gross profit of this business segment was approximately RMB25,051,000 (2015: approximately RMB52,500,000), representing a decrease of 52.3% as compared to that of 2015.

The gross profit margin of CSP Business segment decreased from 26.0% for 2015 to 14.8% for the year.

PROSPECT

The year 2016 was a year characterised by adjustments. Subject to various objective factors, the development of our business was not satisfactory as expected during the year. The Group, however, completed the optimization of internal management and monitoring as well as the adjustment of business model in 2016. The management believes that the Group has gone through the most difficult adjustment cycle and that the year 2017 will be the good start for the Group to be well-poised for further development and it is hoped that our business shall regain stable growth.

In 2017, the Group will continue to seise the development opportunities in the fields of telecommunications, data center, medical services, rail transit, power grids and international customers, which are key industries and segments in which the Group possesses outstanding competitive advantages, to vigorously expand Intelligent Electrical Distribution System ("iEDS") and Energy Efficiency ("EE") businesses and continue to expand the market share in those industries. Besides, the Group will maintain good cooperation with long term customers while actively seeking new customers to further sharpen the leading edges of the Group's core businesses in those segments. With respect to overseas market, the Group will actively seise the opportunities from the "One Belt, One Road" Initiative to speed up the Group's business expansion in Middle East and Southeast Asia regions and continuously improve the global strategy of overseas businesses.

According to the forecast of "Development Roadmap for the Photovoltaic Industry in China (2016 Edition)" (《中國光伏行業發展線路圖(2016年版)》) published by China Photovoltaic Industry Association, photovoltaic installed capacity will record accelerated growth in 2017. The accumulated installed capacity will be over 20GW in conservative projection and reach 30GM in optimistic projection, of which the accumulated installed capacity of distributed photovoltaic is hoped to reach 6GW above and is expected to account for more than 20%. Under the "13th Five-Year Plan for economic and social development of the PRC", the installed capacity of photovoltaic power generation is targeted to be 110-150GW in aggregate. The Group is of the view that the photovoltaic segment presents promising prospect. In order to extend the good start of the strategic cooperation with the group companies of Shanghai Industrial and AVIC International, the Group intends to actively explore more opportunities in strategic cooperation with large-scale enterprises and speed up the development of photovoltaic business in 2017. It is expected that the photovoltaic business will serve as a strong thrust to bring the Group's performance back onto the growth track.

By establishing long-term relationship with the market leaders of the data center and telecommunications industries, the Group has gained considerable industry experience and collected rich data of power consumption, and possesses significant competitive advantage. We believe that we can grasp the opportunities arising from the rapid growth and eco-friendly trend in the data center industry to further expand our market share. The Group saw encouraging signs in the business expansion into data center industry immediately following the start of the year 2017. The Group has reached three major IDC contracts namely GDS Chengdu Data Center – Phase 1, Nanjing Cloud-computing Data Center – Huai and Hefei Shushan High-tech Park Data Center. In addition, the Group has gained the recognition of Baiweiying Boxuejing, a Fortune 500 company, again and unfolded the thirteenth cooperation by winning the bid for two projects (Harbin and Mudanjiang plants). With respect to the medical services sector, in 2017, the Group will continue to leverage its advantage in project experience, products, services and data and increase its participation in the construction of medical services projects, with a view to further expand the Group's customer base and uplift the revenue contribution of the medical services industry. Regarding the power grids industry, State Grid Corporation of China and China Southern Power Grid Company expressed the determination to speed up the power grid construction and restructuring in their plans for 2017. It is believed that the focus of power grid investment will continuously shift to distribution network. The wholly-owned subsidiaries of the Group obtained the supplier qualification from State Grid, delivering solid foundation for the Group to grasp the strong demand on quality power distribution equipment derived from the acceleration of distribution network upgrade and intelligent power grid construction.

One of the business focuses of the Group in 2017 will continue to be improving the assets and liabilities structure of the Group, speeding up the settlement of trade receivables, further lowering debt ratio and improving cash flow, coupled with the steady promotion of core businesses growth and the strategy of new businesses. The settlement of trade receivables during the first quarter of 2017 falls within our expectation. As at 27 March 2017, the Group received over RMB284,205,000 from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work as at 31 December 2016. Meanwhile, as at 27 March 2017, the Group achieved sales amount of approximately RMB202,379,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits with original maturity over three months, trade and other receivables, trade and other payables, amounts due to related parties, obligation under a finance lease and bank loans. As at 31 December 2016, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB28 million (31 December 2015: approximately RMB155 million), approximately RMB1,210 million (31 December 2015: approximately RMB1,794 million) and approximately RMB1,848 million (31 December 2015: approximately RMB2,242 million) respectively. As at 31 December 2016, the Group had bank loans amounting to approximately RMB1,190 million (31 December 2015: approximately RMB1,852 million). The Group's gearing ratio, which was expressed as a ratio of the bank loans over total equity, was 88.2% as at 31 December 2016 (31 December 2015: 84.2%).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days increased by 83 days from 27 days for the year ended 31 December 2015 to 110 days for the year ended 31 December 2016. This is mainly due to the Group's reforming the factoring business. The relevant contracts were reviewed and renegotiated which resulted in unexecuted and incompleted contracts and hence a decrease in revenue. The average trade payables turnover days increased by 763 days from 322 days for the year ended 31 December 2015 to 1,085 days for the year ended 31 December 2016, mainly due to longer credit periods negotiated with certain suppliers in line with increase in average trade receivables turnover days to avoid the liquid capital being put under pressure. The average trade receivables turnover days increased by 2,283 days from 496 days for the year ended 31 December 2015 to 2,779 days for the year ended 31 December 2016, mainly due to the substantial decrease in revenue.

As at 27 March 2017, the Group received over RMB284,205,000 from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work as at 31 December 2016.

GOING CONCERN BASIS

The Group's revenue fell by 81.5% compared to the year ended 31 December 2015 and recorded a loss of RMB730,945,000. The Group faced longer trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience net operating cash outflows. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The annual financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2 to the Group's consolidated financial statements.

CONTINGENT LIABILITIES

Saved as disclosed in note 31 to the Group's consolidated financial statements, as at 31 December 2016, 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 2016.

EMPLOYEES AND REMUNERATION POLICY

The Group had 1,404 (2015: 1,366) employees as at 31 December 2016. The total staff costs for the year under review were approximately RMB140 million (2015: approximately RMB150 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 29 to the consolidated financial statements.

2. Commercial risks

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

3. Operational risks

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

RELATIONSHIP WITH EMPLOYEES

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages and share award scheme to attract and retain employees with the aim to form a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. 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 Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2016, 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		Used up to 31 December 2016	Unused balance
	RMB'000	Percentage	RMB'000	RMB'000
Expanding the upstream component production capability	266,637	25%	266,637	–
Expanding the downstream sales channel and market segment in China	373,291	35%	373,291	–
Payment of outstanding balance of the consideration in relation to the construction and completion of the Luoshe Town new plant	159,982	15%	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%	74,658	–
Working capital and other general corporate purposes	106,655	10%	106,000	655
	1,066,547	100%	906,710	159,837

1 The figures in the table are approximate figures.

The unused balance of the proceeds of approximately RMB160 million are currently placed with reputable banks as the Group's cash and cash equivalents and pledged deposits.

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 43, 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 mainly responsible for the overall management and strategic development of our Group. Mr. Qian Yixiang joined Wuxi Boer Power Instrumentation Company Ltd. ("Wuxi Boer"), the predecessor entity of the Group, in July 1995 and became the General Manager of Wuxi Boer in January 1998. Since he first joined Wuxi Boer in July 1995, Mr. Qian Yixiang has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Qian Yixiang graduated from Jiangnan University with a Diploma in Business Management in 1995. Mr. Qian Yixiang is the husband of Ms. Jia Lingxia and the son of Mr. Qian Zhongming.

JIA Lingxia

JIA Lingxia ("Ms. Jia"), aged 43, 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 mainly responsible for the overall management of the daily operations of the Group. Ms. Jia joined Wuxi Boer in August 1995 and became the Deputy General Manager of Wuxi Boer in January 1997. From February 1995 to August 1995, Ms. Jia worked at Wuxi Special Ventilation Machine Factory, currently known as Wuxi Xishan Special Ventilation Machine Factory, as the head of the accounts department. Since Ms. Jia joined Wuxi Boer in August 1995, she has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Ms. Jia graduated from Jiangnan University with a Diploma in Business Management in 1995. Ms. Jia is the wife of Mr. Qian Yixiang and the daughter-in-law of Mr. Qian Zhongming.

ZHA Saibin

ZHA Saibin (**"Mr. Zha"**), aged 50, 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 mainly responsible for the product development of the Group. Mr. Zha joined Wuxi Boer in June 2000 and became the Assistant Manager and the head of research and development department of Wuxi Boer in 2003. Prior to joining the Group, Mr. Zha worked at Wuxi City Apparatus Factory from July 1990 to May 2000 and was later appointed as the head of research and development and the Deputy General Manager in January 1996 and November 1997, respectively. Since joining Wuxi Boer in June 2000, Mr. Zha has acquired knowledge and experience about the electrical distribution systems and the electrical distribution equipment industry. Mr. Zha received a Bachelor's degree in Engineering in 1990 from Hefei University of Technology.

QIAN Zhongming

QIAN Zhongming (**"Mr. Qian"**), aged 70, 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 54, 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 47, 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 Vice-president of Young Professional Alliance – Accountancy Sector, the Vice-president of Hong Kong General Chamber of Wine & Spirits, the Greater China Development Working Committee member of The Association of Hong Kong Accountants and 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 21 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 53, joined the Board as an Independent Non-executive Director on 30 September 2010 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2010. Mr. Tang is currently a professor in the School of Business at Jiangnan University. Although the Group has established a long-term research relationship with Jiangnan University, Mr. Tang has never been involved in any of the research and development programmes undertaken by Jiangnan University for the Group. Neither has Mr. Tang been involved in the negotiation of any cooperation agreements. Mr. Tang currently does not receive and has not in the past ever received any personal benefit from the cooperation relationship between the Group and Jiangnan University. Mr. Tang currently is not personally interested in and was not in the past ever personally interested in such cooperation relationship.

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

QU Weimin

QU Weimin (**"Mr. Qu"**), aged 49, joined the Board as an Independent Non-executive Director on 1 August 2016 and was appointed as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee on 1 August 2016. Mr. Qu is currently the Chief Engineer of Beijing Supergreen Technologies Co., Ltd., responsible for the operation of the company and focusing on the application of fiberglass spray-on thermal insulation on ships of Chinese navy. Mr. Qu served as the Chief Representative of Franklin Fueling Systems Inc., the Beijing Office from January 2008 to December 2008. From August 2005 to December 2006, Mr. Qu served as the Deputy General Manager of Wuxi Electrical Instrument & Power System Factory (currently known as "Wuxi Boer Power Instrumentation Company Ltd."). Prior to that, Mr. Qu worked as the Product Manager of Veeder-Root Petroleum Equipment (Shanghai) Co., Ltd. between May 2004 to July 2005. For the period from July 1996 to May 2004, Mr. Qu worked with Schneider Electric (China) Investment Co., Ltd where he served various positions including Product Marketing & Strategic Planning Manager of Medium Voltage Activity, Activity & Franchise Operation Manager of Medium Voltage Primary Distribution Activity, DV2 Vacuum Circuit Breaker Project Manager and Franchise Operation Manager of Low Voltage Distribution Activity. Mr. Qu has over 26 years' experience in the power industry.

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

SENIOR MANAGEMENT

Antonio MACERA

Antonio MACERA (**"Mr. Macera"**), aged 65, 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.

AN Di

AN Di (**"Mr. An"**), aged 43, 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 47, 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 43, is the Operation Director of the Group. Mr. Li is mainly 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 50, 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 44, is the Engineering Director of the Group. Mr. Shen is mainly 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.

KWOK Yuk Chun

KWOK Yuk Chun (**"Ms. Kwok"**), aged 46, is the Finance Director and Company Secretary of the Group. Ms. Kwok is mainly responsible for the financial management, corporate financing and company secretarial matters. Ms. Kwok joined the Group as Finance Director and Company Secretary in 2011. Prior to joining the Group, Ms. Kwok worked as the Senior Manager in a Big 4 international accounting firm. She possesses extensive experience of over 20 years in financial management, auditing, corporate restructuring and corporate financing as well as human resources management of listed companies. Ms. Kwok graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant practicing in Hong Kong.

WANG Yun

WANG Yun (**"Mr. Wang"**), aged 36, is the General Manager of Boer Energy Jiangsu Co., Ltd.. Mr. Wang is mainly responsible for the planning, operation and management of photovoltaic projects. Mr. Wang joined Boer Energy Jiangsu Co., Ltd. in July 2013 as General Manager. Prior to joining the Group, from May 2003 to May 2007 and May 2007 to November 2009, Mr. Wang worked as an Overseas Sales Manager of Wuxi Suntech Power Co., Ltd. and Vice President of Sales in Europe of Suntech Power Holdings Co., Ltd. respectively. Mr. Wang worked as the Operating Officer of Europe Suntech Power Co., Ltd. from December 2009 to March 2011. Mr. Wang graduated from Nanjing University of Finance and Economics in 2003.

LU Jiang

LU Jiang (**"Mr. Lu"**), aged 36, is the Investor Relations Manager of the Group. Mr. Lu joined Boer Power in May 2015. He has extensive experience in the area of investor relations. Prior to joining the Group, Mr. Lu worked as the News and Public Affairs Officer of the British Embassy in China, the Corporate Development and Investor Relations Manager of Gome Electrical Appliances Holding Limited (stock code: 493) and the Investor Relations Manager of PW Medtech Group Limited (stock code: 1358). Mr. Lu received a Master's degree in Computer Science from University of Hertfordshire in 2003.

ZHANG Xiaochen

ZHANG Xiaochen (**"Mr. Zhang"**), aged 31, is the Internal Audit Manager of the Group. Mr. Zhang is mainly responsible for the formulation and optimisation of the Company's internal control process and execution standard according to the needs of its business development; the execution of the internal control of the Company to help various departments, subsidiaries and holding companies to carry out on-site supervision over the relevant business processes and operating practices to reduce management risk. Mr. Zhang joined Boer Wuxi in September 2015 as the Financial Internal Control Manager and was appointed as the Internal Audit Manager in December 2015. Prior to joining the Group, Mr. Zhang worked as the Auditor of the Audit Department of Csc & Associados Sociedade De Auditores in Macau from September 2008 to October 2010. From October 2010 to October 2012, Mr. Zhang worked as the Senior Auditor of LehmanBrown International Accountants. From October 2012 to September 2015, Mr. Zhang worked as the Senior Auditor of the Internal Audit Office of Daikin (CHINA) Investment Co., Ltd.. Mr. Zhang graduated from Macau University of Science and Technology in 2008 with a Bachelor of Business Administration in Accounting.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2016.

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 2016, except for the deviations from the code provisions A.2.1 and A.5.1 (in respect of the period since 5 February 2016 from 31 July 2016 only) 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 2016 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 2016.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2016, the Board comprised eight Directors consisting of four Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

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

Function

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

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

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

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

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

Board meetings

During the year ended 31 December 2016, six 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)*	6	6
Ms. Jia Lingxia(i)	6	6
Mr. Zha Saibin	6	6
Mr. Qian Zhongming(i)	0	6
Mr. Huang Liang(ii)	0	0
Non-executive Director		
Mr. Zhang Huaqiao	6	6
Independent Non-executive Directors		
Mr. Yeung Chi Tat	6	6
Mr. Zhao Jianfeng(iii)	0	0
Mr. Tang Jianrong	6	6
Mr. Qu Weimin(iv)	1	1

Notes:

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

(ii) Mr. Huang Liang resigned as an Executive Director with effect from 5 February 2016.

(iii) Mr. Zhao Jianfeng resigned as an Independent Non-executive Director with effect from 5 February 2016.

(iv) Mr. Qu Weimin was appointed on 1 August 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

As at 31 December 2016, 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.

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, from 5 February to 31 July 2016, the Company only had 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 did not represent one-third of the Board as required under Rule 3.10A of the Listing Rules. In addition, the nomination committee comprised two Executive Directors and two Independent Non-executive Directors. As such, the composition of the nomination committee did not comprise a majority of Independent Non-executive Directors as required under code provision A.5.1 of the Code.

Following the appointment of Mr. Qu Weimin on 1 August 2016 as an Independent Non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company, the Company now meets all the requirements under Rules 3.10(1) and 3.10A of the Listing Rules, as well as code provision A.5.1 of the Code.

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

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of its long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. During the year ended 31 December 2016, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Appointment, re-election and removal

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

In accordance with the articles of association of the Company (the "Articles"), one third of the Directors for the time being will retire from office by rotation. Under code provision A.4.1, all the Non-executive Directors should be appointed for a specific term, subject to re-election. At present, each of Mr. Zhang Huaqiao, Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin has been appointed for a specific term of three years from their respective appointments on (i) 9 November 2011 for Mr. Zhang Huaqiao, (ii) 30 September 2010 for Mr. Yeung Chi Tat and Mr. Tang Jianrong and (iii) 1 August 2016 for Mr. Qu Weimin. Mr. Zhang Huaqiao and Mr. Tang Jianrong had retired from their offices and been re-elected as Non-executive Directors at the 2014 and 2015 AGM respectively. Mr. Yeung Chi Tat and Mr. Qu Weimin shall retire from their offices at the forthcoming AGM and shall be eligible to offer themselves for re-election pursuant to articles 108 and 109 of the Articles.

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

Directors' continuous training and development

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

A summary of the trainings received by the Directors for the year ended 31 December 2016 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. Tang Jianrong	✓
Mr. Zhao Jianfeng(iii)	✓
Mr. Qu Weimin(iv)	✓

Notes:

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

(ii) Mr. Huang Liang resigned as an Executive Director with effect from 5 February 2016.

(iii) Mr. Zhao Jianfeng resigned as an Independent Non-exceutive Director with effect from 5 February 2016.

(iv) Mr. Qu Weimin was appointed on 1 August 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 2016, the Remuneration Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and the senior management, as well as specific remuneration packages 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 2016, one meeting was held by the Remuneration Committee 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	0
Mr. Tang Jianrong	1	1
Mr. Qu Weimin(ii)	0	0
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

Notes:

(i) Mr. Zhao Jianfeng resigned as an Independent Non-executive Director with effect from 5 February 2016.

(ii) Mr. Qu Weimin was appointed on 1 August 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, from 5 February 2016 to 31 July 2016, the Remuneration Committee did not comprise a majority of Independent Non-executive Directors as required under Rule 3.25 of the Listing Rules. Following the appointment of Mr. Qu Weimin on 1 August 2016 as an Independent Non-executive Director and a member of each audit, remuneration and nomination committees of the Company, the Company now meets all the requirements under Rule 3.25 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 2016, the Audit Committee had four members comprising three Independent Non-executive Directors and one Non-executive Director, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin and Mr. Zhang Huaqiao. Mr. Yeung Chi Tat is the Chairman of the Audit Committee.

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

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

During the year ended 31 December 2016, the Audit Committee reviewed the interim and annual financial statements and reports and discussed with the external auditors on any significant or unusual items before submitting such reports to the Board, reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, as well as reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system and associated procedures. The Audit Committee also discussed the risk management system of the Company with the management. In addition, the members of the Audit Committee held two meetings 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 2016. 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 2016, three meetings were held by the Audit Committee. No alternate Director was authorised to attend such meetings and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-executive Directors		
Mr. Yeung Chi Tat	3	3
Mr. Zhao Jianfeng(i)	1	1
Mr. Tang Jianrong	3	3
Mr. Qu Weimin(ii)	1	1
Non-executive Director		
Mr. Zhang Huaqiao	3	3

Notes:

(i) Mr. Zhao Jianfeng resigned as an Independent Non-executive Director with effect from 5 February 2016.

(ii) Mr. Qu Weimin was appointed on 1 August 2016.

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 2016.

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 2016, the Nomination Committee had five members comprising three Independent Non-executive Directors and two Executive Directors, namely Mr. Yeung Chi Tat, Mr. Tang Jianrong, Mr. Qu Weimin, Mr. Qian Yixiang and Ms. Jia Lingxia. Mr. Yeung Chi Tat is the Chairman of the Nomination Committee.

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

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

The Nomination Committee has adopted a Board Diversity Policy (the "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 2016, the Board comprised eight Directors, which is characterised by diversity in terms of gender, age, cultural and educational background, professional experience and skills.

During the year ended 31 December 2016, 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	0
Mr. Tang Jianrong	1	1
Mr. Qu Weimin(ii)	0	0
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	0	1

Notes:

(i) Mr. Zhao Jianfeng resigned as an Independent Non-executive Director with effect from 5 February 2016.

(ii) Mr. Qu Weimin was appointed on 1 August 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, from 5 February 2016 to 31 July 2016, the Nomination Committee did not comprise a majority of Independent Non-executive Directors as required under code provision A.5.1 of the Code. Following the appointment of Mr. Qu Weimin on 1 August 2016 as an Independent Non-executive Director and a member of each of audit, remuneration and nomination committees of the Company, the Company now meets all the requirement under code provision A.5.1 of the Code.

ACCOUNTABILITY AND AUDIT

Directors' responsibility

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis. Details of the going concern basis have been set out in note 2 to the Group's consolidated financial statements.

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 2016, the Board has reviewed the effectiveness of the internal controls procedures of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

During the year ended 31 December 2016, the Audit Committee has also reviewed the effectiveness of the Group's internal control procedures and was satisfied that the Group's internal control processes are adequate to meet the needs of the Group in its current business environment.

Internal audit function

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

Also, the Board engaged an external independent consultant to assess the effectiveness of the Group's risk management and internal control systems which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2016. The assessment report was reviewed by the Audit Committee and the Board.

Auditors' remuneration

During the year ended 31 December 2016, 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	1,800
Non-audit service – Review of interim results	1,000
Internal control review	230
Tax advisory	120
Other	200
Total	3,350

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 information which is not inside information. The Group continues to strengthen its investors' relationship by participating in roadshows and conferences.

The AGM provides opportunities for the shareholders 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 2015 AGM was held on 26 May 2016 and the attendance record of each Director is set out below:

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

Note:

(i) Mr. Qu Weimin was appointed on 1 August 2016.

Mr. Qian Yixiang attended the AGM which was held on 26 May 2016 (the "2015 AGM") by telephone conference due to other business engagements. Mr. Qian Yixiang had appointed Mr. Zhang Huaqiao, a Non-executive Director, as his delegate to chair the 2015 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 2015 AGM.

During the year ended 31 December 2016, there have been no changes to the Company's constitutional documents.

COMPLIANCE WITH THE RISK MANAGEMENT AND INTERNAL CONTROL CODE

Internal Audit Department

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

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

The duties of the internal audit department are as follows:

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

Procedures on identifying, assessing and managing material risks

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

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

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

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

Information disclosure system

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

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

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

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

Procedures for putting forward proposals at general meetings by shareholders

Shareholders must submit a written notice of proposals they wish to put forward at an AGM or EGM with the detailed contact information to the Company Secretary by email to yc.kwok@boerpower.com, or by fax to (852) 2544 7272, or by mail to the Company's principal place of business at Unit 1805, 18th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, within a reasonable time prior to the general meeting so that the Company will be allowed to meet the notice period to be given to all the shareholders 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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements. The nature of the principal activities of the Group has not changed during the year ended 31 December 2016.

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 15 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB22,000 (2015: approximately RMB1,000,000).

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 2016 are set out in note 11 to the financial statements.

SHARE CAPITAL

The movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 27(c) to the financial statements.

DISTRIBUTABILITY OF RESERVE

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$21,528,000 (2015: HK$124,083,000).

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

RESERVES

The movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity and notes 27(a) to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the five largest customers of the Group accounted for approximately 42% of the total revenue of the Group and the largest customer accounted for approximately 11% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 11% and 22% of the Group's total purchases for the year ended 31 December 2016, 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 2016, the Directors were:

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

Non-executive Director
Mr. Zhang Huaqiao

Independent Non-executive Directors
Mr. Yeung Chi Tat
Mr. Tang Jianrong
Mr. Qu Weimin[(i)]

Note:

(i) Mr. Qu Weimin was appointed as an Independent Non-executve Director and a member of each of the Audit, Remuneration and Nomination Committees of the Company on 1 August 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. Ms. Jia Lingxia, the Executive Director, Mr. Yeung Chi Tat and Mr. Qu Weimin, the Independent Non-executive Directors, 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 2016, 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 2016.

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 2016.

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 2016 are set out in notes 8 and 9 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 2016, no options have been granted under the Share Option Scheme.

As at the date of 2015 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 1 June 2016, HK$3.2 million was refunded to the Company by the trustee.

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

As at the date of 2015 annual report and this annual report, the trustee held 24,343,000 shares under the Share Award Scheme, representing about 3.15% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2016 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 33 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 2016 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	518,115,000[(i)]	66.96
Ms. Jia Lingxia	Interest of controlled corporation	518,115,000[(i)]	66.96
Mr. Zha Saibin	Beneficial owner	780,000	0.10
Mr. Zhang Huaqiao	Beneficial owner	4,305,000	0.56
Mr. Yeung Chi Tat	Beneficial owner	50,000	0.01

Note:

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

Save as disclosed above, as at 31 December 2016, 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 2016, 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 2016, 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

On 29 February 2016, Boer (Yixing) Power System Co., Ltd. ("Boer Yixing"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Boer Smart Technology (Wuxi) Co., Ltd. ("Boer Smart Wuxi"), a connected person of the Company, for the sale of 450 sets of smart home products to be used as parts and components for intelligent household equipment at the consideration of approximately RMB3,620,000 (the "Transaction").

Boer Smart Wuxi was wholly-owned by Boer Smart (Hong Kong) Limited, a company controlled by Clover Bay Limited; and Clover Bay Limited was owned as to 50% by Ms. Jia Lingxia (an executive director of the Company and the wife of Mr. Qian Yixiang) and 50% by Mr. Qian Yixiang (the chairman of the Board and the chief executive officer of the Company and the husband of Ms. Jia Lingxia). Thus Boer Smart Wuxi was an associate and a connected person of the Company as defined in the Listing Rules. Accordingly, the Transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The details of the Transaction are disclosed in the Company's announcement dated 2 March 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

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

CONFIRMATION OF INDEPENDENCE

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

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor, KPMG, the audited consolidated financial statements for the year ended 31 December 2016.

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
28 March 2017

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Boer Power Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 49 to 106, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements, which discloses that in the year ended 31 December 2016 the Group's revenue fell by 81.5% compared to the year ended 31 December 2015 and the Group recorded a loss of RMB730,945,000 for the year (2015: profit of RMB523,824,000). Note 2(b) also discloses that the Group has faced longer trade receivables turnover days than its average trade payables turnover days which consequently may result in net operating cash outflows in the next twelve months. As stated in that note, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

REVENUE RECOGNITION

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 65 to 66.

The Key Audit Matter	How the matter was addressed in our audit
The Group sells electrical distribution systems to its customers and also enters into construction contracts relating to the construction of energy related infrastructure. Revenue from the sale of electrical distribution systems is recognised when the customer accepts the goods and the related risks and rewards of ownership once the goods are delivered to the location designated by the customer and upon completion of the quality inspection procedures by the customer. Certain contracts for the sale of electrical distribution systems may be subject to additional conditions, which include the completion of installation and testing procedures. The Group's sales contracts with customers have a variety of terms which may affect the timing of recognition of revenue. Goods returns are generally not permitted except where quality issues are identified during the acceptance inspection. Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured with reference to the percentage of contract costs incurred at the reporting date to estimated total contract costs for the contract. The revenue and profit to be recognised for an uncompleted project involves the exercise of significant management judgement, particularly in respect of estimating the total outcome of the construction contract, as well as the work done to date. The actual outcome of a construction contract in terms of total contract costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and may be subject to manipulation to meet financial expectations or targets and because (i) for sales contracts there is a risk that a material misstatement could arise from inappropriate timing of the recognition of revenue and (ii) for construction contracts there is a risk that inaccurate estimation of total contract revenue, total contract costs or the percentage completed at the reporting date could result in inappropriate revenue recognition.	Our audit procedures to assess the recognition of revenue included following: – understanding and assessing the design, implementation and operating effectiveness of the Group's key internal controls which govern revenue recognition; – inspecting sales contracts with customers, on a sample basis, and assessing the Group's accounting policies for revenue recognition with reference to the requirements of the prevailing accounting standards; – comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, which included goods delivery notes which were acknowledged by the Group's customers or other relevant documents indicating the acceptance of the goods by the customers, to assess whether the revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts; – observing the delivery of goods from the Group's warehouse, selecting samples from the delivery plans and inspecting the corresponding sales invoices and goods delivery notes which were acknowledged by the Group's customers or other relevant documents indicating the acceptance of the goods by the customers; – inspecting significant sales returns after the financial year end and assessing whether such sales returns had been recorded in the appropriate financial period; – performing site visits to the customers' construction projects, on a sample basis, inquiring of the relevant customers about the nature and quantities of goods received from the Group during the financial year and key contract terms in order to make a comparison with the accounting records of the Group and our understanding of the terms of the sales contracts and performing physical inspection of the goods delivered to customers on a sample basis;

REVENUE RECOGNITION (continued)

The Key Audit Matter	How the matter was addressed in our audit
	– discussing with management their processes for estimating total contract costs and assessing the estimated total contract costs of each incomplete contract at the reporting date by inspecting the corresponding construction plan and other relevant underlying documentation, including sub-contracts and signed contracts with other major suppliers; – evaluating the post year end performance of all construction contracts by inspecting payments for construction cost subsequent to the reporting date, comparing the payments made with the estimates made at the reporting date in respect of contract costs expected to be incurred and challenging the estimations of contract costs which appeared inconsistent with actual post year end performance; – assessing the percentage of completion of construction contracts adopted by management at the reporting date by comparison with customers' certifications of the work completed and other relevant correspondence; – inspecting all construction contracts and any the supplemental agreements thereto for construction contracts in progress during the current year to identify key clauses, which included identification of variations in contract terms, claims and incentive payments, of accounting significance, assessing management's accounting treatment therefor and comparing the agreed contract price (including any agreed claims, variations and incentive payments) to that used by the Group in the calculation of contract revenue; and – assessing management's calculation of revenue from construction contracts by recalculating the revenue recognised to date for each contract based on the agreed contract price (including any agreed claims, variations and incentive payments), estimated total contract costs to complete each contract and actual contract costs incurred at the reporting date.

RECOVERABILITY OF TRADE RECEIVABLES, LOANS TO CUSTOMERS AND RETENTIONS RECEIVABLE

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 59 to 60.

The Key Audit Matter	How the matter was addressed in our audit
As a result of a continuing increase in sales over the past three years and the credit terms granted to the Group's customers, which are engaged in a wide range of industries (including real estate, medical, telecommunications, power generation and data centres), the Group had significant trade receivables, loans to customers and retentions receivable (hereinafter together referred to as "Trade receivables") at the financial year end. Some of the balances are individually material to the consolidated financial statements. The Group estimates impairment allowances for bad and doubtful debts by assessing the recoverability of Trade receivables based on the credit history and other specific factors for individual debtors and historical loss experience adjusted for prevailing market conditions for collective debtor groups. This requires the exercise of significant management estimation and judgement. We identified the recoverability of Trade receivables as a key audit matter because of the significance of Trade receivables to the consolidated financial statements and because the determination of the impairment allowances for bad and doubtful debts requires a significant level of management judgement, particularly as customers involved in construction projects may face current challenges in terms of their profitability and liquidity which increases the risk that individual Trade receivables may not be recoverable.	Our audit procedures to assess the recoverability of Trade receivables included the following: – obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls relating to credit control, debt collection and making impairment allowances for bad and doubtful debts; – assessing the classification of trade receivables in the trade receivables ageing report by comparing individual items with sales invoices and other relevant underlying documentation on a sample basis; – obtaining an understanding of the basis of management's judgements about the recoverability of individual balances and evaluating the impairment allowances for bad doubtful debts made by management for the individual balances with reference to the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances, historical and post year-end payment records, legal documents relating to disputes with customers, rescheduling of payment agreed with customers and other relevant information obtained from other audit procedures; – assessing the assumptions and estimates made by the management for the impairment allowances for bad and doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates and recalculating the Group's provision with reference to the Group's policy for collective assessment; and – obtaining a summary of subsequent settlements relating to Trade receivable balances at 31 December 2016 and inspecting underlying documents relating to the payments received, on a sample basis.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is *Liu Hin Pan*.

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

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**458,273**	2,473,646
Cost of sales	4	**(391,170)**	(1,590,704)
Gross profit	4	**67,103**	882,942
Other income	5	**84,317**	118,606
Selling and distribution expenses		**(63,383)**	(79,338)
Administrative and other operating expenses		**(169,504)**	(206,206)
Impairment losses for trade and other receivables	17(b)	**(718,021)**	(5,641)
(Loss)/profit from operations		**(799,488)**	710,363
Finance costs	6(a)	**(83,081)**	(80,045)
(Loss)/profit before taxation	6	**(882,569)**	630,318
Income tax credit/(expense)	7(a)	**151,624**	(106,494)
(Loss)/profit for the year		**(730,945)**	523,824
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		**(40,215)**	(16,719)
Other comprehensive income for the year		**(40,215)**	(16,719)
Total comprehensive income for the year		**(771,160)**	507,105
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(704,397)**	519,884
Non-controlling interests		**(26,548)**	3,940
(Loss)/profit for the year		**(730,945)**	523,824
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(744,612)**	503,165
Non-controlling interests		**(26,548)**	3,940
Total comprehensive income for the year		**(771,160)**	507,105
Earnings per share (RMB cents)	10		
Basic		**(94)**	69
Diluted		**(94)**	69

The notes on pages 54 to 106 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 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment property, other property, plant and equipment	11	407,334	246,443
Construction in progress	12	21,448	75,549
Intangible assets	13	4,260	3,845
Lease prepayments	14	34,108	75,423
Prepayments for purchase of equipment and acquisition of land use right		1,414	3,056
Available-for-sale investment	28	10,348	–
Prepayment for an investment	28	–	30,180
Deferred tax assets	26(b)	159,245	13,713
		638,157	448,209
Current assets			
Inventories	16	132,108	102,971
Trade and other receivables	17	2,795,643	4,630,933
Current tax asset	26(a)	8,111	8,111
Pledged deposits	19	415,268	369,071
Available-for-sale investments		–	99,500
Time deposits with original maturity over three months	20(a)	3,000	–
Cash and cash equivalents	20(a)	27,836	155,285
		3,381,966	5,365,871
Current liabilities			
Bank loans	21	1,189,513	1,851,562
Trade and other payables	22	967,162	1,670,092
Obligation under a finance lease	23	3,946	–
Current tax liabilities	26(a)	11,425	50,199
		2,172,046	3,571,853
Net current assets		1,209,920	1,794,018
Total assets less current liabilities		1,848,077	2,242,227
Non-current liabilities			
Amounts due to related parties	32(a)(ii)	450,231	26,556
Obligation under a finance lease	23	47,336	–
Deferred tax liabilities	26(b)	1,770	16,066
		499,337	42,622
NET ASSETS		1,348,740	2,199,605

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
CAPITAL AND RESERVES			
Share capital	27(c)	**66,010**	66,010
Reserves	27(d)	**1,303,257**	2,130,230
Total equity attributable to equity shareholders of the Company		**1,369,267**	2,196,240
Non-controlling interests		**(20,527)**	3,365
TOTAL EQUITY		**1,348,740**	2,199,605

Approved and authorised for issue by the Board of Directors on 28 March 2017.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 54 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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	27(b)(ii)	–	–	(109,144)	–	–	–	–	–	–	(109,144)	–	(109,144)
– Final dividend	27(b)(ii)	–	–	(114,072)	–	–	–	–	–	–	(114,072)	–	(114,072)
Equity-settled share-based transaction	25	–	–	–	11,781	–	–	–	–	–	11,781	–	11,781
Vesting of shares granted under share award scheme	25	–	8,350	–	(8,350)	–	–	–	–	–	–	–	–
Dividends declared in respect of the current year													
– Interim dividend	27(b)(i)	–	–	(162,158)	–	–	–	–	–	–	(162,158)	–	(162,158)
– Special dividend	27(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
Balance at 1 January 2016		66,010	(100,121)	103,071	1,505	249,523	21,436	372	(49,218)	1,903,662	2,196,240	3,365	2,199,605
Loss for the year		–	–	–	–	–	–	–	–	(704,397)	(704,397)	(26,548)	(730,945)
Other comprehensive income		–	–	–	–	–	–	–	(40,215)	–	(40,215)	–	(40,215)
Total comprehensive income for the year		–	–	–	–	–	–	–	(40,215)	(704,397)	(744,612)	(26,548)	(771,160)
Capital injection into subsidiaries		–	–	–	–	–	–	–	–	–	–	2,656	2,656
Acquisition of a subsidiary	28	–	–	–	–	–	–	–	–	–	–	11,000	11,000
Acquisition of non-controlling interests of a subsidiary	28	–	–	–	–	–	–	–	–	–	–	(11,000)	(11,000)
Appropriation to statutory reserve		–	–	–	–	824	–	–	–	(824)	–	–	–
Dividends approved in respect of the previous year													
– Second special dividend	27(b)(ii)	–	–	(82,361)	–	–	–	–	–	–	(82,361)	–	(82,361)
Balance at 31 December 2016		66,010	(100,121)	20,710	1,505	250,347	21,436	372	(89,433)	1,198,441	1,369,267	(20,527)	1,348,740

The notes on pages 54 to 106 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from/(used in) operations	20(b)	182,312	(1,145,273)
Income tax paid		(46,978)	(96,376)
Net cash generated from/(used in) operating activities		135,334	(1,241,649)
Investing activities			
Payment for purchase of property, plant and equipment		(20,852)	(4,994)
Payment for purchase of intangible assets		(475)	(64)
Payment for purchase of available-for-sale investments		–	(107,500)
Cash received from acquisition of a subsidiary	28	1,074	–
Payment for acquisition of non-controlling interests of a subsidiary	28	(11,000)	–
Proceeds from disposal of a subsidiary	28	40,893	–
Proceeds from sales of lease prepayment		37,146	–
Refund of prepayments of property, plant and equipment		3,056	–
Proceeds from maturity or disposal of available-for-sale investments		99,500	237,000
Interest received		11,645	23,346
Investment income received		2,205	10,511
Maturity of time deposits with original maturity over three months		–	91,200
Placement of time deposits with original maturity over three months		(3,000)	(41,200)
Placement of pledged deposits		(658,772)	(476,320)
Withdrawal of pledged deposits		612,575	511,174
Net cash generated from investing activities		113,995	243,153
Financing activities			
Proceeds from bank loans		1,233,480	1,943,735
Repayment of bank loans		(1,907,227)	(784,250)
Proceeds from a finance lease		59,965	–
Proceeds from minority shareholders		2,656	–
Repayment for the obligation under a finance lease		(8,683)	–
Advance from related parties	32(a)(i)	1,259,265	769,364
Repayment of advance from related parties	32	(850,738)	(835,570)
Interest paid		(83,081)	(89,491)
Dividends paid to equity shareholders of the Company	27(b)(i)/(ii)	(82,361)	(512,153)
Net cash (used in)/generated from financing activities		(376,724)	491,635
Net decrease in cash and cash equivalents		(127,395)	(506,861)
Cash and cash equivalents at 1 January	20(a)	155,285	665,769
Effect of foreign exchange rate changes		(54)	(3,623)
Cash and cash equivalents at 31 December	20(a)	27,836	155,285

The notes on pages 54 to 106 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. 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 2016 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme as further elaborated in note 25.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

During the year ended 31 December 2016, the Group's revenue fell by 81.5% compared to the year ended 31 December 2015 and recorded a loss of RMB730,945,000 (2015: profit of RMB523,824,000) for the year. In addition, the Group faced longer trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience in net operating cash outflows. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

(i) the Group has entered into several loan facility agreements with the controlling shareholders and other related parties during the year for general working capital purposes. The loans are term loan facilities with a term of three years, unsecured and non-interest bearing. The Group has option, but not the obligation, to repay the loan amount drawn down prior to its maturity. As at 31 December 2016, the Group's unused loans facilities was RMB696,335,000 (Note 32);

(ii) as at 31 December 2016, the unused bank loans facilities were RMB651,016,000 for providing additional working capital of the Group;

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)). The assets and liabilities of the trust in connection with a share award scheme (see note 25), are included in the Company's statement of financial position.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Available-for-sale investments

Available-for-sale investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, available-for-sale investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from available-for-sale investments recognised in profit or loss in accordance with the policies set out in note 2(x)(ii).

When the investments are derecognised or impaired (see note 2(m)), 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.

(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(m)). 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) Other property, plant and equipment

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

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 — 5–20 years
- Motor vehicles — 5 years
- Furniture, fixtures and other equipment — 5 years
- Plant and machinery under finance lease are depreciated over its useful life being no more than 20 years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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(m)). 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(z)). 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.

(j) Intangible assets (other than goodwill)

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(m)).

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.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) 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) 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(m)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(m) Impairment of assets

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

Investments in equity securities 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)

(m) 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 unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade 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 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.

(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 properties;

– other property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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.

(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(m)(i) and (ii)).

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(v). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipt in advance" under "Trade and other payables".

(p) 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(m)).

(q) 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.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) 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.

(t) 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.

(u) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(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.

(v) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

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.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other 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.

(x) 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) Investment income

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

(iii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

(iv) Government grants

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

(v) Contract revenue

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

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

(y) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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.

(aa) 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.

(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.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information 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) 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.

(b) Construction contracts

As explained in policy notes 2(o) and 2(x)(v) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 18 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Impairments of non-current assets

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.

(d) 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) 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.

(f) 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. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues. In 2016 revenues from this customer amounted to approximately RMB47,434,000 (2015: Nil). Details of concentrations of credit risk arising from these customers are set out in note 29(a).

(b) Segment reporting

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

The Group has four separate segments:

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

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

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

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

4. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	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 2016				
EDS Solutions	**4,955**	**(3,875)**	**1,080**	**41**
iEDS Solutions	**124,255**	**(108,030)**	**16,225**	**1,700**
EE Solutions	**159,787**	**(135,040)**	**24,747**	**7,633**
CSP Business	**169,276**	**(144,225)**	**25,051**	**8,078**
	458,273	**(391,170)**	**67,103**	**17,452**

	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				
EDS Solutions	5,500	(4,245)	1,255	34
iEDS Solutions	1,385,303	(919,542)	465,761	8,505
EE Solutions	880,674	(517,248)	363,426	5,407
CSP Business	202,169	(149,669)	52,500	1,241
	2,473,646	(1,590,704)	882,942	15,187

4. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2016 RMB'000	2015 RMB'000
Cost of sales	**17,452**	15,187
Administrative expenses	**15,743**	8,867
	33,195	24,054

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

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

5. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income from financial institutions	**13,601**	15,523
Other interest income	**7,502**	8,257
Investment income	**2,205**	10,511
Refund of value added taxes ("VAT")^	**34,733**	69,030
Government grants	**5,510**	936
Net gain on acquisition and disposal of a subsidiary (note 28)	**13,952**	–
Others	**6,814**	14,349
	84,317	118,606

^ 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.

6. (LOSS)/PROFIT BEFORE TAXATION

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

		2016 RMB'000	2015 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**83,081**	80,045
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**9,931**	9,042
	Equity-settled share-based payment expenses (note 25)	**–**	11,781
	Salaries, wages and other benefits	**130,185**	129,496
		140,116	150,319
(c)	Other items:		
	Amortisation of intangible assets	**594**	570
	Amortisation of lease prepayments	**1,069**	1,927
	Depreciation	**31,532**	21,557
	Auditors' remuneration	**3,230**	5,714
	Impairment losses for trade receivables (note 17(b))	**718,021**	5,641
	Operating lease charges in respect of properties:		
	minimum lease payments	**6,978**	4,910
	Research and development (other than staff costs)	**22,375**	52,944
	Net loss on disposal of property, plant and equipment	**400**	4
	Net loss on disposal of lease prepayment	**3,100**	–
	Net foreign exchange losses	**1,726**	6,217
	Cost of inventories sold (note 16(b))#	**327,598**	1,590,704

Cost of inventories includes RMB50,452,000 (2015: RMB54,453,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

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

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

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC income tax for the year	8,616	100,074
Over-provision in respect of prior year	(412)	(2,703)
Withholding tax (note (iv))	–	1,385
Deferred tax		
Origination and reversal of temporary differences		
– Withholding tax (note (iv))	(14,000)	14,000
– Others	(145,828)	(6,262)
	(151,624)	106,494

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

	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation	(882,569)	630,318
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(215,751)	178,580
Tax effect of PRC preferential tax treatments (note (iii))	70,134	(85,624)
Tax effect of non-deductible expenses	7,934	9,122
Tax effect of non-taxable income	(4,124)	(4,729)
Tax effect of unused tax losses not recognised (note 26(d))	6,032	–
Tax effect of additional deduction on research and development expenses	(1,437)	(3,537)
Over-provision of tax expenses for prior year	(412)	(2,703)
Withholding tax (note (iv))	(14,000)	15,385
Actual tax (credit)/expense	(151,624)	106,494

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

(b) Reconciliation between tax (credit)/expense and accounting (loss)/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 Dubai Multi Commodities Centre ("DMCC"), Mexico, Indonesia and Spain as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to DMCC, Mexican, Indonesian and Spanish Corporate Taxes during each of the years ended 31 December 2016 and 2015.

(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 Boer (Shanghai) Switch Apparatus Co., Ltd.* ("博耳（上海）電器開關有限公司"), 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 2016 and 2015.

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

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

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

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

8. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' emoluments are as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2016				
Executive Directors				
Mr. Qian Yixiang	–	601	15	616
Ms. Jia Lingxia	–	481	15	496
Mr. Zha Saibin	–	481	15	496
Mr. Qian Zhongming	–	769	–	769
Mr. Huang Liang*	–	52	7	59
Non-executive Director				
Mr. Zhang Huaqiao	331	–	–	331
Independent Non-executive Directors				
Mr. Yeung Chi Tat	309	–	–	309
Mr. Tang Jianrong	206	–	–	206
Mr. Zhao Jianfeng*	17	–	–	17
Mr. Qu Weimin**	64	–	–	64
Total	927	2,384	52	3,363

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

** Mr. Qu Weimin was appointed as an Independent Non-executive Director on 1 August 2016.

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

(a) Directors' emoluments are as follows: (continued)

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 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

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

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

(a) Directors' emoluments are as follows: (continued)

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

	Period during which the emoluments accrued	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Total emoluments waived by the directors RMB'000
Executive Directors				
Mr. Qian Yixiang	1 August 2016 to 31 December 2016	–	429	429
Ms. Jia Lingxia	1 August 2016 to 31 December 2016	–	344	344
Mr. Zha Saibin	1 August 2016 to 31 December 2016	–	344	344
Non-executive Director				
Mr. Zhang Huaqiao	1 August 2016 to 31 December 2016	236	–	236
Independent Non-executive Directors				
Mr. Zhao Jianfeng*	1 December 2015 to 31 January 2016***	34	–	34
Total		270	1,117	1,387

*** Out of the RMB34,000 director's fee entitled by Mr. Zhao Jiangfeng, RMB17,000 was accrued during the year of 2015. In 2016, Mr Zhao Jiangfeng agreed to waive the director's fee accrued from 1 December 2015 to 31 January 2016.

(b) The emoluments payable to the Groups' remaining ten (2015: nine) senior managements are within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	**8**	9
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	–
	10	9

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining three (2015: one) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	3,777	1,270
Contributions to retirement benefit schemes	219	127
	3,996	1,397

The emoluments of the three (2015: one) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
	3	1

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

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any emolument during the year (2015: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the loss attributable to equity shareholders of the Company of RMB704,397,000 (2015: profit attributable to the equity shareholders of the Company of RMB519,884,000) and the weighted average of 749,426,000 ordinary shares (2015: 749,227,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 **'000**	2015 '000
Issued ordinary shares at 1 January	**773,769**	773,769
Effect of shares held for share award scheme	**(24,343)**	(24,542)
Weighted average number of ordinary shares at 31 December	**749,426**	749,227

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the loss attributable to equity shareholders of the Company of RMB704,397,000 (2015: profit attributable to the equity shareholders of the Company of RMB519,884,000) and the weighted average number of 749,426,000 ordinary shares (2015: 749,257,000 ordinary shares) in issue adjusted for the potential dilutive effect caused by the shares granted and fully vested under the share award scheme (see note 25), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016 **'000**	2015 '000
Weighted average number of ordinary shares at 31 December	**749,426**	749,227
Effect of unvested shares under the Company's share award scheme	**–**	30
Weighted average number of ordinary shares (diluted) at 31 December	**749,426**	749,257

11. 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 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
At 1 January 2016	189,793	79,419	10,803	17,962	297,977	51,680	349,657
Additions	10,649	3,810	367	2,332	17,158	96,874	114,032
Transfer from construction in progress	–	75,918	–	–	75,918	–	75,918
Acquisition of a subsidiary (note 28)	–	180,046	–	–	180,046	–	180,046
Disposal of a subsidiary (note 28)	–	(180,046)	–	–	(180,046)	–	(180,046)
Disposals	–	(3,442)	(1,581)	–	(5,023)	–	(5,023)
Exchange adjustments	22	–	–	20	42	–	42
At 31 December 2016	200,464	155,705	9,589	20,314	386,072	148,554	534,626
Accumulated depreciation:							
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
At 1 January 2016	45,853	39,569	7,473	10,319	103,214	–	103,214
Charge for the year	11,299	13,581	1,170	2,950	29,000	2,532	31,532
Written back on disposal of a subsidiary (note 28)	–	(3,427)	–	–	(3,427)	–	(3,427)
Written back on disposals	–	(2,980)	(1,075)	–	(4,055)	–	(4,055)
Exchange adjustments	22	–	–	6	28	–	28
At 31 December 2016	57,174	46,743	7,568	13,275	124,760	2,532	127,292
Net book value:							
At 31 December 2016	143,290	108,962	2,021	7,039	261,312	146,022	407,334
At 31 December 2015	143,940	39,850	3,330	7,643	194,763	51,680	246,443

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

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

(b) As at 31 December 2016, 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 RMB43,973,000 (2015: RMB46,752,000) and RMB146,022,000 (2015: RMB51,680,000) respectively.

(c) The Group's investment properties consist of commercial and industrial properties situated in the PRC. The fair value of the investment properties was RMB148,610,000 (2015: RMB54,192,000) as at 31 December 2016 based on the valuation performed by a qualified independent real estate appraisal company in the PRC.

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

12. CONSTRUCTION IN PROGRESS

	2016 RMB'000	2015 RMB'000
At 1 January	**75,549**	5,312
Additions	**22,057**	70,347
Disposal	**(240)**	–
Transfer to property, plant and equipment	**(75,918)**	(110)
At 31 December	**21,448**	75,549

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

13. INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Total RMB'000
Cost:			
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
At 1 January 2016	**899**	**4,885**	**5,784**
Additions	**310**	**657**	**967**
Exchange adjustments	**–**	**42**	**42**
At 31 December 2016	**1,209**	**5,584**	**6,793**
Accumulated amortisation:			
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
At 1 January 2016	**421**	**1,518**	**1,939**
Charge for the year	**100**	**494**	**594**
At 31 December 2016	**521**	**2,012**	**2,533**
Net book value:			
At 31 December 2016	**688**	**3,572**	**4,260**
At 31 December 2015	478	3,367	3,845

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

14. LEASE PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Cost:		
At 1 January	**83,526**	83,526
Disposal	**(42,885)**	–
At 31 December	**40,641**	83,526
Accumulated amortisation:		
At 1 January	**8,103**	6,176
Charge for the year	**1,069**	1,927
Written back on disposal	**(2,639)**	–
At 31 December	**6,533**	8,103
Net book value:		
At 31 December	**34,108**	75,423

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

15. INVESTMENT IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid-up capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Cheer Success Holdings Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
Power Investment (H.K.) Limited	Hong Kong	100,000 shares or HK$100,000	–	100%	Investment holding
Boer Energy Jiangsu Co., Ltd.* ("博耳能源江蘇有限公司" or "Boer Energy") (note (ii))	PRC	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)

15. 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

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.

16. INVENTORIES

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

	2016 RMB'000	2015 RMB'000
Raw materials	40,527	54,845
Work in progress	31,004	17,337
Finished goods	60,577	30,789
	132,108	102,971

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

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	323,038	1,590,704
Write down of inventories	4,560	–
	327,598	1,590,704

17. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**1,773,631**	2,918,556
Loans to customers	**482,157**	1,282,435
Retention receivables	**150,598**	165,204
Bills receivable	**134,626**	27,068
Gross amount due from customers from contract work (note 18)	**40,699**	4,100
Prepayments, deposits and other receivables	**213,932**	233,570
	2,795,643	4,630,933

Loans to customers of RMB482,157,000 (2015: RMB1,282,435,000) were made for settlement of their outstanding amounts to the banks on behalf of its customers under the factoring arrangements.

The directors are of the opinion that trade receivables, loans to customers and retention receivables at 31 December 2016 that is expected to be settled after one year is RMB974,719,000. Apart from those mentioned above, all of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

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

(a) Ageing analysis

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

	2016 RMB'000	2015 RMB'000
Within 3 months	**144,916**	1,113,770
Over 3 months but within 6 months	**43,581**	93,698
Over 6 months but within 1 year	**88,765**	962,702
Over 1 year	**2,129,124**	2,196,025
At 31 December	**2,406,386**	4,366,195

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

17. TRADE AND OTHER RECEIVABLES (continued)

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

Impairment losses in respect of trade receivables, loans to customers and retention receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, loans to customers and retention receivables directly (see note 2(m)(i)).

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

	2016 RMB'000	2015 RMB'000
At 1 January	**28,479**	25,652
Impairment loss recognised	**718,021**	5,641
Uncollectible amounts written off	**(3,769)**	(2,828)
Exchange adjustments	**17**	14
At 31 December	**742,748**	28,479

At 31 December 2016, trade receivables, loans to customers and retention receivables of RMB1,680,964,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB706,245,000 were recognised.

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

All these receivables were collectively determined to be impaired. At 31 December 2016, there were no receivables that were past due but not impaired and allowances for doubtful debts resulting from the collective assessment amounted to RMB36,503,000 (2015: RMB28,479,000).

At 31 December 2016, RMB1,327,325,000 (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.

18. CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits to date, included in the gross amount due from customers for contract work at 31 December 2016, is RMB64,002,000 (2015: RMB24,000,000).

The gross amount due from customers for contract work at 31 December 2016 that is expected to be recovered within one year.

19. PLEDGED DEPOSITS

Bank deposits have been pledged to banks for bank loans (see note 21), bills payable (see note 22) 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.

20. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

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

	2016 RMB'000	2015 RMB'000
Cash at bank and in hand	**27,836**	155,285
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**27,836**	155,285
Time deposits with original maturity over three months	**3,000**	–
	30,836	155,285

At 31 December 2016, the balances that were placed with banks in the PRC amounted to RMB23,697,000 (2015: RMB18,228,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

(b) Reconciliation of (loss)/profit before taxation to cash generated from/(used in) operations:

	Note	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation		**(882,569)**	630,318
Adjustments for:			
– Amortisation of intangible assets	6(c)	**594**	570
– Amortisation of lease prepayments	6(c)	**1,069**	1,927
– Depreciation	6(c)	**31,532**	21,557
– Finance costs	6(a)	**83,081**	80,045
– Investment income	5	**(2,205)**	(10,511)
– Interest income from financial institutions	5	**(13,601)**	(15,523)
– Other interest income	5	**(7,502)**	(8,257)
– Net loss on disposal of property, plant and equipment	6(c)	**400**	4
– Net loss on disposal of lease prepayment	6(c)	**3,100**	–
– Impairment losses for trade receivables	6(c)	**718,021**	5,641
– Write down of inventories	16(b)	**4,560**	–
– Equity-settled share-based payment expenses	25	**–**	11,781
– Net gain on acquisition and disposal of a subsidiary	28	**(13,952)**	–
– Net foreign exchange (gain)/losses		**1,726**	6,959
Changes in working capital:			
– Increase in inventories		**(41,050)**	(28,129)
– Decrease/(increase) in trade and other receivables		**766,359**	(2,094,155)
– (Decrease)/increase in trade and other payables		**(467,251)**	252,500
Cash generated from/(used in) operations		**182,312**	(1,145,273)

(c) Major non-cash transactions

During the year, the Group obtained certain properties from its customers for settlement of their trade receivables of RMB96,874,000 (2015: RMB51,680,000).

21. BANK LOANS

At 31 December 2016, the effective interest rates of the bank loans of the Group were in the range from 1.42% to 6.50% per annum (2015: range from 1.30% to 6.50% per annum) and were secured by pledged deposits of approximately RMB270,000,000 (2015: RMB246,980,000).

As at 31 December 2016, bank loans of RMB278,920,000 (2015: RMB909,253,000) were obtained in connection with factoring arrangements with customers.

22. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	804,699	1,289,704
Bills payable	–	231,071
Receipts in advance	12,812	11,274
Other payables and accruals	149,651	138,043
	967,162	1,670,092

Bills payable as at 31 December 2015 were secured by pledged bank deposits (see note 19).

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:

	2016 RMB'000	2015 RMB'000
Due within 1 month or on demand	737,769	1,185,052
Due after 1 month but within 3 months	54,072	273,221
Due after 3 months but within 6 months	12,858	62,502
	804,699	1,520,775

23. OBLIGATION UNDER A FINANCE LEASE

At 31 December 2016, the Group had an obligation under a finance lease repayable as follows:

	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	3,946	4,103
After 1 year but within 2 years	3,671	4,103
After 2 years but within 5 years	31,724	40,000
After 5 years	11,941	18,462
	47,336	62,565
	51,282	66,668
Less: total future interest expenses		(15,386)
Present value of lease obligations		51,282

24. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authorities whereby these PRC subsidiaries are required to make a contribution at rates from 19% to 20% (20% to 22% prior to 1 May 2016) of the eligible employees' salaries to the Scheme. The Group has accrued for the required contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employees covered under the Scheme.

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

The employees under the Group's Spanish subsidiary are regulated by law to participate in the State Pension Scheme. The State Pension Scheme is part of the social security system in Spain which is governed by the Ministry of Employment and Social Security of the Spanish Government. The Group and the employees are required to make mandatory contributions towards the State Pension Scheme at rates of 23.6% and 4.7% (2015: 23.6% and 4.7%), respectively, of the employee's relevant income, subject to a cap of monthly relevant income of EUR3,642.00 (2015: EUR3,642.00). 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.

25. SHARE AWARD SCHEME

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

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

During the year ended 31 December 2016, no shares were granted to any employees of the Group.

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 RMB'000	2015 RMB'000
Prepaid withholding tax on dividends distribution	**8,111**	8,111
Provision for PRC income tax	**11,425**	50,199

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

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

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Provision for impairment of trade receivables RMB'000	Write down of inventories RMB'000	Unrealised profits of intragroup sales RMB'000	Fair value adjustments of assets RMB'000	Accrued expenses RMB'000	Undistributed profits of subsidiaries RMB'000	Tax losses recognised RMB'000	Total RMB'000
At 1 January 2015	4,563	–	2,306	(2,340)	856	–	–	5,385
Credited/(charged) to Profit or loss (note 7(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)
At 1 January 2016	4,648	–	7,624	(2,066)	1,441	(14,000)	–	(2,353)
Credited/(charged) to profit or loss (note 7(a))	115,598	429	968	296	(216)	14,000	28,753	159,828
At 31 December 2016	120,246	429	8,592	(1,770)	1,225	–	28,753	157,475

(ii) Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax assets	159,245	13,713
Net deferred tax liabilities	(1,770)	(16,066)
	157,475	(2,353)

(c) Deferred tax liabilities not recognised

The Group is subject to 5% (2015: 5%) withholding tax on dividends declared by its PRC subsidiaries in respect of their profits earned (see also note 7(b)(iv)). As at 31 December 2016, deferred tax liabilities in respect of temporary differences relating to undistributed profits of RMB1,531,499,000 (2015: RMB1,521,194,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets of RMB6,032,000 (2015: Nil) in respect cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. All of these tax losses will expire within 5 years under the current tax legislation.

27. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Shares held for share award scheme RMB'000	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 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	27(b)(ii)	–	–	(109,144)	–	–	–	–	(109,144)
– Final dividend	27(b)(ii)	–	–	(114,072)	–	–	–	–	(114,072)
Equity-settled share-based transaction	25	–	–	–	11,781	–	–	–	11,781
Vesting of shares granted under share award scheme	25	–	8,350	–	(8,350)	–	–	–	–
Dividends declared in respect of the current year									
– Interim dividend	27(b)(i)	–	–	(162,158)	–	–	–	–	(162,158)
– Special dividend	27(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
At 1 January 2016		66,010	(100,121)	103,071	1,505	372	(43,285)	137,771	165,323
Loss for the year		–	–	–	–	–	–	(1,688)	(1,688)
Other comprehensive income		–	–	–	–	–	2,373	–	2,373
Total comprehensive income for the year		–	–	–	–	–	2,373	(1,688)	685
Dividends approved in respect of the previous year									
– Second special dividend	27(b)(ii)	–	–	(82,361)	–	–	–	–	(82,361)
At 31 December 2016		66,010	(100,121)	20,710	1,505	372	(40,912)	136,083	83,647

27. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2016 RMB'000	2015 RMB'000
Interim dividend of HK26 cents per share declared and paid	–	162,158
Special dividend of HK20 cents per share declared and paid	–	126,779
Second special dividend proposed after the end of the reporting period of HK13 cents per share	–	82,361
	–	371,298

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.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

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

	2016 RMB'000	2015 RMB'000
Special dividend of HK18 cents in respect of the previous financial year, approved and paid during the year	–	109,144
Second special dividend of HK13 cents in respect of the previous financial year, approved and paid during the year	82,361	–
Final dividend of HK19 cents in respect of the previous financial year, approved and paid during the year	–	114,072
	82,361	223,216

27. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

Details of authorised and issued share capital are as follows:

	2016 HK$'000	2015 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000

	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Issued and fully paid:				
At 31 December 2015 and 31 December 2016	0.10	773,769	77,377	66,010

(d) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Shares held for share award scheme*

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

(iii) *Employee share-based compensation reserve*

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

(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.

27. CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(vi) Capital redemption reserve

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

(vii) Exchange reserve

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

(e) Capital management

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

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

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

28. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

On 15 August 2014, the Group and a third party entered into an equity transfer agreement, pursuant to which, among other things, the Group purchased the 80.1% equity interest in Gannan Longyang New Energy Co., Ltd. ("Gannan Longyang") at the consideration of RMB30,180,000. Gannan Longyang primarily engaged in design, supply, construction, installation and technical advice of the new energy development project; sales of new energy equipment and related products and power generation with solar energy. On 1 July 2016, the acquisition was completed.

On 27 September 2016, the Group further purchased the remaining 19.9% of issued share capital of Gannan Longyang at the consideration of RMB11,000,000.

The total consideration for purchasing the 100% of issued share capital of Gannan Longyang was RMB41,180,000.

On 4 November 2016, the Group entered into an equity transfer agreement with a third party to dispose of 80.1% equity interest in Gannan Longyang at the consideration of RMB41,652,000.

The Group recognised a net gain on acquisition and disposal of Gannan Longyang of RMB13,952,000 (note 5).

Upon the completion of the disposal of 80.1% equity interest in Gannan Longyang, the Group's 19.9% interest retained in Gannan Longyang is recognised at fair value of RMB10,348,000 and the amount is regarded as the cost on initial recognition of available-for-sale investment.

28. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (continued)

The revenue and loss after taxation of RMB3,531,000 and RMB3,097,000 respectively included in the consolidated statement of profit or loss and other comprehensive income were contributed by Gannan Longyang from 1 July 2016 to 4 November 2016.

	1 July 2016 RMB'000	4 November 2016 RMB'000
Property, plant and equipment	180,046	176,619
Cash and cash equivalents	1,074	759
Other assets	24,220	21,831
Liabilities	(150,064)	(147,030)
Net identifiable assets acquired/disposed	55,276	52,179
Net identifiable assets acquired/disposed of 80.1%	44,276	41,796
Net gain/(loss) on acquisition/disposal	14,096	(144)
Total consideration	30,180	41,652
Net cash (outflow)/inflow arising on acquisition/disposal:		
Cash consideration (paid)/received	(30,180)	41,652
less: prepayment for an investment	30,180	–
Cash and cash equivalents acquired/(disposed)	1,074	(759)
	1,074	40,893

If the acquisition had occurred on 1 January 2016, the Group's revenue for the year would have been approximately RMB462,206,000 and loss for the year would have been approximately RMB730,941,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition occurred on 1 January 2016, nor is intended to be a projection of future results.

29. 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 and bank deposits.

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. The Group's review includes amongst other, external ratings, credit history, market conditions, prior year's purchases and estimated purchases for the coming year, where available. The credit terms given to the customers vary (generally one year and for some cases, over one year) which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. In regards of refinancing the customers for repayment of their outstanding amounts due to the banks upon maturity of the previous factoring arrangements, amongst the creditworthiness factors mentioned above, the Group also reviewed the condition and progress of the customer's project. Before granting loans to customers, the Group would also evaluate the value of the collaterals to ensure sufficiency of the existing pledge. The Group has no longer provided further refinancing to customers since 2016. The Group chases its customers to settle due balances and monitors the settlement progress on an ongoing basis.

At the end of the reporting period, the Group has a certain concentration of credit risk as 0.2%, 2% and 5% (2015: 4%, 18% and 4%) of the total trade receivables were due from the Group's largest customer, the five largest customers and largest debtor as at 31 December 2016. 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.

As at 31 December 2016, bank loans of RMB278,920,000 were obtained in connection to factoring arrangements with customers during the year. The Group no longer provided further refinancing to customers since 2016.

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.

At 31 December 2016, the Group had endorsed bank acceptance bills to its suppliers totalling RMB380,646,000, among which an amount of RMB246,716,000 were derecognised as financial assets (see note 17). The transferees have recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. Because these bank acceptance bills mature within six months from issue, the Group's maximum loss in case of default is RMB246,716,000 before these bills mature by 30 June 2017.

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

(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.

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:

	2016					
	Carrying amount at 31 Dec RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 year RMB'000
Bank loans	1,189,513	1,219,978	1,219,978	–	–	–
Trade and other payables	967,162	967,162	967,162	–	–	–
Amounts due to related parties	450,231	450,231	–	–	450,231	–
Obligation under finance lease	51,282	66,668	4,103	4,103	40,000	18,462
	2,658,188	2,704,039	2,191,243	4,103	490,231	18,462

Further information concerning the liquidity risk facing the Group and the directors' plans for managing the liquidity needs of the Group is disclosed in note 2(b) to these consolidated financial statements.

	2015				
	Carrying amount at 31 Dec RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	1,851,562	1,915,102	1,915,102	–	–
Trade and other payables	1,670,092	1,670,092	1,670,092	–	–
Amount due to a related party	26,556	26,556	–	–	26,556
	3,548,210	3,611,750	3,585,194	–	26,556

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.

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

(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:

	2016		2015	
	Effective interest rate per annum	RMB'000	Effective interest rate per annum	RMB'000
Fixed rate instruments:				
Bank loans	1.69–6.50%	1,140,035	5.35–6.50%	1,159,253
Variable rate instruments:				
Bank loans	1.42%	49,478	1.30–5.35%	692,309
Total instruments		1,189,513		1,851,562

As at 31 December 2016, 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 RMB495,000 (2015: RMB6,465,000).

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 2016 and 2015.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015, except that the fair value of the amount due to related parties is classified within Level 2 of the fair value hierarchy and is approximately RMB390,962,000, which is estimated using the expected future cash flows discounted at prevailing market interest rate as at the end of the reporting period.

30. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Authorised but not contracted for	**155,430**	156,890

(b) Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**2,919**	2,375
After 1 year but within 5 years	**1,137**	1,330
After 5 years	**695**	741
	4,751	4,446

Significant leasing arrangement in respect of property, plant and equipment classified as being held under a finance lease are described in note 11.

Apart from this lease, 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.

31. FINANCIAL GUARANTEE ISSUED

As at the end of the reporting period, the Group has issued a financial guarantee in respect of a loan of RMB13,910,000 made by a finance company to a debtor of the Group with a guarantee period of three years.

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) Financial assistance from related parties

During the year ended 31 December 2016, the Directors are of the view that the following parties are related parties of the Group:

Name of party	Relationship
Mr. Qian Yixiang	Controlling shareholder and Director
Ms. Jia Lingxia	Controlling shareholder and Director
King Able Limited ("King Able")	Immediate parent of the Group which is 50% owned by each of Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors
Wuxi Boer Power Instrumentation Company Ltd.* ("無錫博耳電力儀錶有限公司" or "Wuxi Boer")	Effectively 93.34% and 6.66% owned by Mr. Qian Yixiang, a controlling shareholder and Director and Mr. Qian Zhongming, a Director respectively
Bright Rise Trading Limited ("Bright Rise")	50% owned by each of Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors
Boer Investment (Singapore) Pte. Ltd. ("Boer Singapore")	100% directly owned by Mr. Qian Yixiang, a controlling shareholder and Director
Boer Smart (Hong Kong) Limited ("Boer Smart")	Effectively 43.50% and 43.50% owned by Mr. Qian Yixiang and Ms. Jia Lingxia, both of which are controlling shareholders and Directors

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

(i) Transactions

Cash advances from related parties

Name of party	2016 RMB'000	2015 RMB'000
Mr. Qian Yixiang (note)	**173,282**	–
Ms. Jia Lingxia	**99,509**	–
King Able	**349,593**	–
Wuxi Boer	**598,986**	769,364
Bright Rise	**17,992**	–
Boer Smart	**19,903**	–
	1,259,265	769,364

32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(ii) Outstanding amounts owed to related parties

Name of party	2016 RMB'000	2015 RMB'000
Mr. Qian Yixiang (note)	**91,208**	–
Ms. Jia Lingxia	**1,844**	–
King Able	**152,008**	–
Wuxi Boer	**167,238**	26,556
Bright Rise	**17,992**	–
Boer Smart	**19,941**	–
	450,231	26,556

(iii) Loans from related parties

Loans facilities granted from related parties

During the year ended 31 December 2016, the related parties as lenders and the Group as borrower entered into several loan agreements each with a term of three years, the loans were advanced to the Group for its general working capital purposes.

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

Name of party	2016	2015
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**RMB500,000,000 and USD1,393,000**	–
Ms. Jia Lingxia	**HKD2,000,000**	–
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**RMB300,000,000**	RMB300,000,000
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**RMB100,000,000**	–
Mr. Qian Yixiang and Boer Singapore	**RMB200,000,000**	–
Boer Smart	**RMB35,000,000**	–

32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(iv) Unused loans facilities

Name of party	2016 RMB'000	2015 RMB'000
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	**357,714**	–
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	**132,762**	273,444
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	**82,008**	–
Mr. Qian Yixiang and Boer Singapore	**108,792**	–
Boer Smart	**15,059**	–
	696,335	273,444

Note:

On 1 February 2016, Boer Singapore (an entity related to the controlling shareholder of the Company) assisted a subsidiary of the Group to secure bank borrowing by entering into a facility agreement with a bank for a term loan of up to USD20,000,000. The term loan is secured by a pledge of deposit of RMB130,000,000 by Boer Wuxi (a wholly-owned subsidiary of the Company) in favour of the bank. Subsequently, an amount of USD18,700,000 was drawn down by Boer Singapore and transferred to the relevant subsidiary of the Group. The amount was used by the Group to repay its other bank borrowings amounting to USD18,000,000 plus interest incurred. No financial benefit was received by Boer Singapore from the Group.

The transaction with Mr. Qian Yixiang disclosed above included an amount of USD18,487,000 (or equivalent RMB129,292,000) advanced from Boer Singapore. The amount outstanding as at 31 December 2016 was RMB91,165,000.

(b) Other related party transaction

The subsidiary of the Company, Boer Yixing, entered into the Sale and Purchase Agreement with Boer Smart Technology (Wuxi) Co., Ltd. ("Boer Smart Wuxi"), which is a company controlled by Mr Qian Yixiang and Ms Jia Lingxia, controlling shareholders and executive directors of the Company, for the sale of 450 sets of smart home products to be used as parts and components for intelligent household equipment at the consideration of approximately RMB3,620,000 on 29 February 2016. As at 31 December 2016, the full amount of the consideration has been settled.

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

The related party transactions mentioned in notes 32(a) and 32(b) above constitute connected transaction as defined in Chapter 14A of the Listing Rules. However, the transaction mentioned in note 32(a) is fully exempt from shareholders' approval, annual review and all disclosure requirement under Rule 14A.90 of the Listing Rules, and the transaction mentioned in note 32(b) is exempt from shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules. The Company has complied with the relevant requirement under Chapter 14A of the Listing Rules.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is disclosed in note 8(a) and note 9.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment in subsidiaries		39,997	39,997
Amounts due from subsidiaries		270,673	237,928
		310,670	277,925
Current assets			
Other receivables		–	11,819
Cash at bank		100	387
		100	12,206
Current liabilities			
Bank loans		49,478	124,781
Other payables		43	27
Amount due to a subsidiary		149,889	–
Amount due to a shareholder		9,721	–
Amount due to a related party		17,992	–
		227,123	124,808
Net current liabilities		(227,023)	(112,602)
NET ASSETS		83,647	165,323
CAPITAL AND RESERVES	27(a)		
Share capital		66,010	66,010
Reserves		17,637	99,313
TOTAL EQUITY		83,647	165,323

(Expressed in Renminbi unless otherwise indicated)

34. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, the directors consider the immediate parent of the Group to be King Able Limited and the ultimate controlling party of the Group to be Mr. Qian Yixiang and Ms. Jia Lingxia. King Able Limited is incorporated in the BVI and does not produce financial statements available for public use.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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
Amendments to HKAS 7, Statement of cash flows: Disclosure Initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019

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.