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

2017
ANNUAL REPORT

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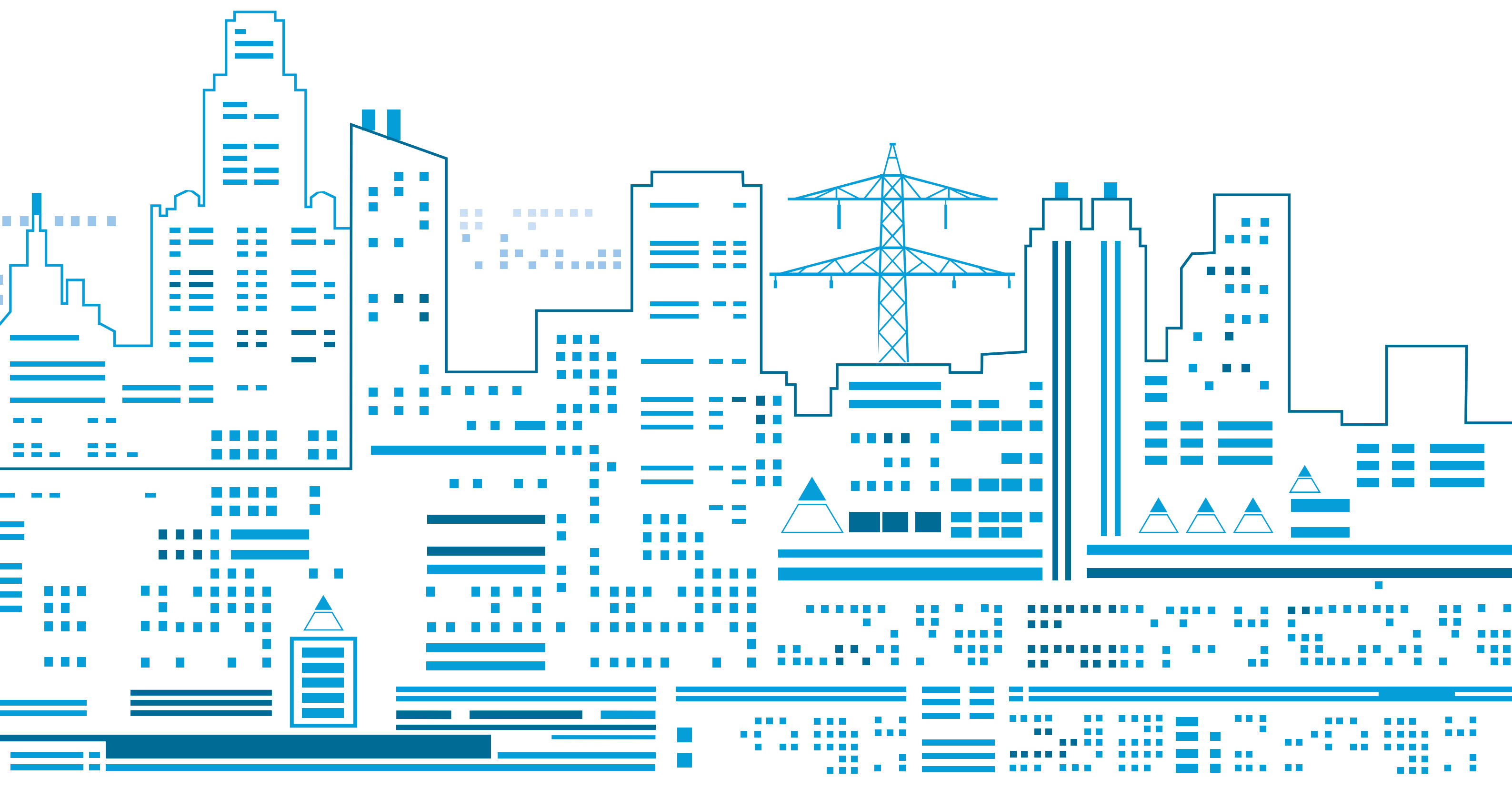

CORPORATE INFORMATION

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

LEGAL ADVISER

Stephenson Harwood

INVESTOR AND MEDIA RELATIONS CONSULTANT

Financial PR (HK) Limited

REGISTERED OFFICE

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KY1-1108
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HEADQUARTERS AND HEAD OFFICE IN THE PRC

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Yangshi Industrial Park
Huishan District
Wuxi City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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HONG KONG SHARE REGISTRAR

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COMPANY'S WEBSITE

www.boerpower.com

FINANCIAL SUMMARY

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000 (Restated)
Revenue and Profit					
Revenue	758,671	458,273	2,473,646	2,048,454	1,353,992
(Loss)/profit before taxation	(255,967)	(882,569)	630,318	548,878	361,894
Income tax credit/(expense)	32,478	151,624	(106,494)	(94,394)	(17,027)
(Loss)/profit for the year	(223,489)	(730,945)	523,824	454,484	344,867
(Loss)/profit attributable to					
Equity shareholders of the Company	(220,974)	(704,397)	519,884	458,917	345,109
Non-controlling interests	(2,515)	(26,548)	3,940	(4,433)	(242)
Assets and Liabilities					
Non-current assets	727,711	638,157	448,209	335,792	304,756
Current assets	2,554,276	3,381,966	5,365,871	4,080,501	3,120,866
Current liabilities	(1,942,182)	(2,172,046)	(3,571,853)	(2,221,081)	(1,460,469)
Non-current liabilities	(151,559)	(499,337)	(42,622)	(2,340)	(2,574)
Net assets	1,188,246	1,348,740	2,199,605	2,192,872	1,962,579
Equity attributable to					
Equity shareholders of the Company	1,197,867	1,369,267	2,196,240	2,193,447	1,958,821
Non-controlling interests	(9,621)	(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

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 2017 (the "Year 2017" or the "year").

As a one-stop composite solution provider, the Group always upholds its corporate mission of "practicing efficient and thoughtful energy management to protect and improve the global environment" offering from traditional power distribution solutions to solutions of a combination of high-end intelligent power distribution and energy management. Having gone through the adjustment cycle, the Group saw a rebound of sales and revenue at the same pace throughout 2017. With the support of the strong sales networks and our leading technologies in the industry, the Group recorded satisfactory sales performance during the year where the revenue increased by 65.6% year on year to approximately RMB758,671,000, which included multiple large orders secured by the Group during the year, involving projects in various domestic or overseas industries such as data center, telecommunications, infrastructure, medical services, rail transit, power grid and sewage treatment, all of which were orders obtained from non-factoring model. As sales scale picked up and the Group implemented effective cost control measures during the year, the gross profit margin for the year rebounded to approximately 21.7%, representing an increase of 7.1% from approximately 14.6% for the whole year of 2016.

During the year, the Group continued to make good progress in collection of trade receivables and improve its structure of assets and liabilities to reduce finance cost, the borrowings and trade payables decreased significantly as compared to that of 2016. Coupling this with the satisfactory sales performance, income was substantially improved. Net cash outflows were significantly improved during the year compared to that of 2016.

Overall, the Group performed satisfactorily in improving sales throughout the year. As one of the industry pioneers which made the earliest efforts in developing the presence in cloud computation platform and big data intelligent power distribution ecosystem, the Group is among the few intelligent service providers that have the support of the data base of power consumption by various industries. During the year, leveraging our technological advantage integrating the cloud computation platform and intelligent power distribution solutions together with our excellent performance in the areas of ensuring equipment's operation safety by the products, curbing operating cost and enhancing the cost effectiveness of customers, sales of the Group constantly performed well. The Group's "One-stop Data Center Solution", a leading set of intelligent power distribution solutions which integrate the Internet of Things and modern telecommunication technologies, has further enhanced performance in data center business, including the success in bidding for the GDS Northern Public Utility Project with a total contract value of RMB50 million. In addition, with the support of various industry giants such as China UnionPay, Nanjing Cloud-computing Data center, Hefei Shushan Hightech Park Project and Range IDC (潤澤科技) Project, our data center business is enabled to become the main driver of the sales rebound of the Company. With the national policies actively promoting the development into a nation with strong network construction, the Group foresees that it will expand further room of the markets for Boer Power's high value-added products with leading technology, high security and stability. As such, data center will continue to be the key development business of the Group.

Apart from strengthening Boer Power's leading edge in the domestic market, the Group has successfully established its global brand reputation and exported Boer Power's leading products and services to the overseas market based on the intensive cooperation and relationship with the domestic and overseas main engineering contractors and the Fortune 500 companies during the year. Benefitting from the global liquidity glut, the infrastructure investments sprang up in emerging countries such as ASEAN region and Africa. During the year, the Group obtained a number of new orders of overseas infrastructure projects, including the partnering again with Sinoma Architecture for the provision of medium and low voltage intelligent power distribution solutions to its cement engineering projects in three African countries of Kenya, Uganda and Cameroon. Besides, the Group has cooperated for the first time with The Vinci Group for the provision of one-stop intelligent power distribution solutions for the water treatment project in Surabaya, Indonesia. In the future, the Group will further vigorously promote the cooperation and relationship with overseas engineering contractors to secure more quality overseas projects as business growth drivers.

Meanwhile, leveraging its leading technological edges, extensive project experience and quality customer services of the Group, we successfully further strengthened and expanded the business with large scale, quality and long-term local and international customers during the year. The Fortune 500 companies and market leaders maintaining long-term cooperation and relationship with the Group include HeidelbergCement AG, Degremont, Brembo, Budweiser, China Mobile and China Unicom, Alibaba, Baidu, CapitaLand and others. During the Period, the Group more successfully introduced large-scale orders from state-owned companies, further enriching its quality and long-term customer base.

The new generation of information and communication technology develops rapidly and intensively integrates with the manufacturing industry, driving the paradigm shift of the manufacturing mode, production process and technologies of power transmission and distribution equipment toward intelligent and information-based operations. With its early efforts in developing the presence, the Group launched the self-owned Huiyun data management system in 2012 and accordingly has been in the leading position in developing the data base of power consumption by various industries. With improvements over the years and significant investment made by the Group in R&D, the system is now able to provide user-oriented value-added solutions to power distribution equipment through intensive data mining, aiming to consolidate the potential foundation of profit realization and enhancement respectively through cloud-computation system and high value-added services of the Group in the future. To further reinforce its technological advantage, the Group continued to put more resources in R&D during the year. The Group launched 9 new products in total, obtained 16 new patents and had 9 patent applications during the year.

The Group has engaged in power distribution business for over 30 years. With extensive project experience, leading technologies and forward-looking deployment, the Group has become popular among the domestic and overseas quality customers over the years. During the paradigm shift toward internet- and digital-based operations of the industry, the Group will place constant efforts in developing more full life-cycle products in respect of intelligent power distribution and energy efficiency integrated solutions with cloud computation technology, striving to continue to build technology barriers under the popular trend of intelligent manufacturing and information-based industry. The collection of outstanding receivables continued to improve. As at 25 March 2018, the Group received over RMB241.6 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2017.

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

I, on behalf of the Board, would like to express my most sincere gratitude to the management and the entire staff who have forged ahead while meeting all challenges and pursuing innovations and worked together with the Group to achieve more brilliant results during the year. I would also like to extend my gratitude to our shareholders, investors, long-term customers and business partners for their consistent support for the Group's development. We will move forward from strength to strength and uphold the positive and pragmatic approach to achieve better results and contribute to all of you.

Qian Yixiang
Chairman

27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2017, the emerging markets focusing on export and manufacturing were favoured by the strong performance of global major economies and the recovery of global trade. As the Chinese economy was benefitted from the materialisation of supply-side reform benefits and the effective optimisation of industrial structure, the gross economic output for the year historically exceeded RMB80 trillion whereas the annual gross domestic product ("GDP") registered a year-on-year growth of 6.9%, picking up for the first time since 2011. Consumption has become the main driver of economic growth, contributing to 58.8% of the GDP growth, and the added value of large-scale industries recorded a year-on-year growth of 6.6%.

The demand for power transmission and distribution equipment continued to maintain rapid growth momentum. As the constructions of intelligent power grids have been fully launched, users now pay particular attention to the safety, stability and efficiency of power distribution management. Moreover, with increasing global awareness of environmental protection and China's reform direction focusing on the development of low-carbon economy and green power grids, the demand for power transmission and distribution equipment product and the R&D of new products have speeded up the development towards intelligent information, cost effectiveness and environmental friendliness, bringing about a broader market space for high value-added products with leading technologies, high safety and stability standards.

In the 19th Congress Report, it was proposed to accelerate the construction of manufacturing power and the development of advanced manufacturing industry, and actively implement the "Made in China 2025" strategy, thereby further pushing forward the intelligent manufacturing as well as facilitating the in-depth integration between informatisation and industry. Given that the State Council promulgated the Guiding Opinions on Deepening "Internet + Advanced Manufacturing"and Developing Industrial Internet (《關於深化「互聯網+先進製造業」發展工業互聯網的指導意見》) at the end of November 2017, the layout of industrial internet was speeded up whereas high-end technologies and traditional power transmission and distribution equipment were more closely tied to each other; the information technology of intelligent network has fully penetrated into power transmission and distribution technologies and equipment.

BUSINESS REVIEW

Having gone through the adjustment cycle in 2016, the Group's business stabilised and resumed growth during 2017. The strong sales performance contributed revenue of approximately RMB758.7 million to the Group, representing a year-on-year growth of 65.6%. All new orders of the year were obtained from non-factoring model. As sales scale picked up and the Group implemented effective cost control measures during the year, the gross profit margin for the year rebounded to approximately 21.7%, representing an increase of 7.1% from approximately 14.6% for the whole year of 2016.

During the twelve months ended 31 December 2017, the business of the Group can be divided into the following four segments:

– Energy Efficiency Solutions ("EE Solutions");

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

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

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

The Group is among the earliest in the domestic industry to develop cloud platform and ecosystem for big data power distribution. Leveraging on its over 30 years of experience in the R&D and manufacturing of power distribution equipment, the Group has accumulated power consumption related data from a large number of customers across diverse industries since launching “Cloud Smart” data platform in 2012. We are one of the few smart service providers in the country that are supported by power consumption data covering diverse industries, and therefore enjoy first-mover advantages. With the integration of Boer Power’s corporate cloud platform system, we can provide customers with value-added solutions and provide professional maintenance service for users’ distribution equipment, so as to ensure the safe and reliable operation thereof. The Group’s technological advantage lies in our ability to effectively ensure safe operation of equipment, reduce operation cost and raise customers’ economic efficiency by performing real-time monitoring, data monitoring and energy efficiency analysis via internet.

The Group’s “One-stop Data Center Solution” is a leading industry application combining the whole set of intelligent power distribution solution with Internet of Things and modern communication technologies. Through the Group’s cloud platform system, the security and stability of equipment in operation can be enhanced and the operating expenses including wages and energy consumption can be significantly reduced, thereby bringing considerable economic benefits to customers. At the same time, this favours enterprises to manage the hardware equipment of their data center with higher flexibility, so as to satisfy the changing expansion demands in the future.

The telecommunications industry is not only the industry with the most growth, but also a key strategic industry of the country. As the applications of big data and cloud service become popular and diversified, the data usage of enterprises and organisations increase continuously. Since the establishment of machine rooms and data centers becoming increasingly important, the Group’s “One-stop Data Center Solution” secured multiple large orders during the year, which included winning the bid for GDS Northern Utilities Project with total contract sum of approximately RMB50,000,000. Besides, the support of GDS Chengdu and Beijing Yizhuang Project, China UnionPay Information Center Project, Nanjing Cloud-computing Data Center – Huai’an Project, Hefei Shushan Hightech Park Data Center Project and Range Technology Project (Range Technology is the largest cloud data service provider in the Beijing-Tianjin-Hebei Region) has provided strong driving force for the sales rebound of the Group.

Meanwhile, leveraging on its leading technological advantage and quality services and products, the Group further strengthened the cooperation with a number of market leaders during the year. We secured large and quality customer orders from industries such as infrastructure, rail transit, sewage disposal, medical services, telecommunications, broadcasting and consumption, including the fourteenth cooperation in six years with AB InBev, a global leading brewery company, and winning the bid for the power distribution restructuring project of China Central Television. The Fortune 500 companies and market leaders maintaining long-term cooperative relationships with the Group include HeidelbergCement AG, Degremont, Brembo, Budweiser, China Mobile, China Unicom, Alibaba, Baidu and CapitaLand. The Group has also further enriched its quality large customer base.

Given that strong global liquidity supported the large infrastructure investment in emerging countries, the Group secured multiple large overseas orders during the year, which included providing solutions for medium and low voltage intelligent power distribution to the cement engineering projects of Sinoma Architecture located in three countries of Africa, namely Kenya, Uganda and Cameroon, and winning the bid for water engineering project located in Surabaya, Indonesia in collaboration with Vinci Group, one of the top five engineering contractors in the world. As “Belt and Road” has introduced more resources for emerging countries in the ASEAN region and Africa, the implementation of infrastructure projects has been speeded up, providing the Group’s intelligent power transmission and distribution technologies and equipment with the new gateway to the world.

By maintaining good cooperation relationships with overseas and domestic well-known engineering contractors, the Group successfully strengthened its international sales network with their help and exported Boer Power's leading products and services to the world. During the year, we also successfully expanded our business presence in Africa, Oman and Indonesia, achieving encouraging results. Since the Group anticipates that overseas business will be the main driver for the Group to open up new revenue streams in the future, we have currently established overseas branches or sales companies in three countries, namely Spain, Mexico and Indonesia. In the future, the Group will strengthen its cooperation with overseas engineering contractors, with an aim to promote the continuous growth of overseas business.

During the year, the Group continued to make significant investment in research and development, so as to consolidate its technological competitiveness. In 2017, the Group launched a total of 9 new products. Moreover, the Group proactively enhanced its leading technology of cloud data platform and focused on research and development based on the specific demand for power distribution of various industries. Through the combination of big data exploration and customer demand analysis, we continuously enhanced and upgraded the operating efficiency and software operating system of cloud platform as well as expanded revenue from value-added services, striving for maintaining the leading position in the industry in terms of technological development under the trend of intelligent manufacturing and industrial informationisation.

During the year, the Group continued to strengthen its corporate internal control and strive to improve the Group's assets and liabilities structure and cash flow level. The Group's collection of trade receivables remained sound with significant decrease in finance cost. With the satisfactory sales performance, our revenue was picking up. Net cash outflows were significantly improved during the year compared to that of 2016.

The total revenue of the Group amounted to RMB758.7 million for the year ended 31 December 2017, representing an increase of 65.6% as compared to that of 2016. The significant increase in revenue was mainly attributable to faithful support of long-term customers and the aggressive sales tactics. The Group recorded satisfactory sales performance during the year and secured multiple large orders, involving projects in various industries such as data center, medical services, infrastructure, telecommunications, rail transit and power grid during the year.

The total loss attributable to the equity shareholders of the Company amounted to approximately RMB220,974,000 for the year ended 31 December 2017 (2016: loss attributable to the equity shareholders of the Company of approximately RMB704,397,000). The decrease in loss was mainly due to the substantial increase in revenue contribution from both the iEDS Solutions and EE Solutions business segments.

As at 31 December 2017, the total assets of the Group were approximately RMB3,281,987,000 (31 December 2016: approximately RMB4,020,123,000) while the total liabilities were approximately RMB2,093,741,000 (31 December 2016: approximately RMB2,671,383,000) and the total equity of the Group amounted to approximately RMB1,188,246,000 (31 December 2016: approximately RMB1,348,740,000).

The Group's trade payables and borrowings have recorded a significant year-on-year decrease to RMB309,766,000 (31 December 2016: approximately RMB804,699,000) and RMB1,026,756,000 (31 December 2016: approximately RMB1,189,513,000) respectively.

OPERATION AND FINANCIAL REVIEW

EDS Solutions

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

The total sales of EDS Solutions of the Group for the year ended 31 December 2017 amounted to approximately RMB925,000 (2016: approximately RMB4,955,000), representing approximately 0.1% (2016: approximately 1.2%) of the Group's total revenue for the year. A decrease in sales of EDS Solutions of 81.3% was recorded and the gross profit of this business segment was approximately RMB116,000 (2016: approximately RMB1,080,000), representing a decrease of 89.3% as compared to that of 2016.

The gross profit margin of EDS Solutions segment decreased from 21.8% for 2016 to 12.5% 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 2017 was approximately RMB317,464,000 (2016: approximately RMB124,255,000), which accounted for approximately 41.8% (2016: approximately 27.1%) of the Group's total revenue for the year. The increase in the sales of iEDS Solutions was 155.5% for the year ended 31 December 2017. The significant increase in the revenue of this business segment was mainly driven by increasing and upgrading demand for electrical distribution technologies. The Group's iEDS Solutions continued to earn market recognition. Moreover, the Group further strengthened the close cooperative relationship with the long-term customers. The gross profit of this business segment was approximately RMB71,174,000 (2016: approximately RMB16,225,000), representing an increase of 338.7% as compared to that of 2016.

The gross profit margin of iEDS Solutions segment increased from 13.1% for 2016 to 22.4% for the year. The increase was mainly due to stronger bargaining power of procurement with suppliers for vast improvement of sales volume.

EE Solutions

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

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

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

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

The total sales of EE Solutions of the Group for the year ended 31 December 2017 was approximately RMB253,957,000 (2016: approximately RMB159,787,000), which accounted for approximately 33.5% (2016: approximately 34.8%) of the Group's total revenue for the year. An increase in the sales of EE Solutions was 58.9% for the year ended 31 December 2017. This is mainly because the Group customises EE Solutions for different customers with the data from the customers in focused industries accumulated by the Group over years, by taking into account actual situations of various customers, to allow customers to control costs with ease. This was much more important for the customers in industries where energy consumption is high, thus the demand of these customers on the Group's EE solutions was continuously increasing. The gross profit of this business segment was approximately RMB58,045,000 (2016: approximately RMB24,747,000), representing an increase of 134.6% as compared to that of 2016.

The gross profit margin of EE Solutions segment increased from 15.5% for 2016 to 22.9% for the year. The increase was mainly due to stronger bargaining power of procurement with suppliers for vast improvement of sales volume.

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 2017 was approximately RMB186,325,000 (2016: approximately RMB169,276,000), which accounted for approximately 24.6% (2016: approximately 36.9%) of the Group's total revenue for the year. An increase in the sales of CSP Business of 10.1% for the year ended 31 December 2017 was recorded. The gross profit of this business segment was approximately RMB35,565,000 (2016: approximately RMB25,051,000), representing an increase of 42.0% as compared to that of 2016.

The gross profit margin of CSP Business segment increased from 14.8% for 2016 to 19.1% for the year.

PROSPECT

While "Made in China 2025" and the idea of internet-based and digital industry are being pushed forward, telecom equipment, rail transit equipment and power equipment fields in China will take up the forefront position in the world as a whole, guiding the development of technological innovation. The new generation of information and communication technology is developing rapidly and integrating fully with the manufacturing industry, facilitating significant reformation of power transmission and distribution equipment in terms of manufacturing model, process and technology system. "Smart" will be the main direction in the upgrade of electrical equipment manufacturing industry. In 2018, smart manufacturing will fully lead the new industrial revolution of the power transmission and distribution equipment field.

As one of the industry pioneers in China tapping into cloud platform and big data intelligent power distribution ecosystem at the earliest stage, the Group enjoys first-mover advantage in building database for power consumption of all industries. With years of accumulated experience together with the Group's huge investment in research and development, we can provide value-added solutions for user-side power distribution equipment with in-depth data collection to further promote the realization of cloud platform. Since the second half of 2017, the Group has been actively developing full-cycle products for integrated intelligent power distribution and energy-saving solutions combined with cloud technology which is expected to enhance the overall profitability through high value-added service.

Looking forward to 2018, the Group will continue to take on its leading technological strength to achieve recovery in sales, focus on exploring data center and overseas market, strengthen and develop business from large-scale, quality and long-term corporate customers at home and abroad, and gradually develop smart city and smart town projects. According to the forecast published by China's IDC Circle, China's IDC market scale in 2019 will reach nearly RMB190 billion. As the Ministry of Industry and Information ("MIIT") actively follows the new trend of digital economy and expedites the development of strong networked nation, demands for new IT application and structure have forced 55% enterprises to upgrade their existing equipment or deploy new equipment. In response to MIIT's requirement that the power use efficiency of newly built large-scale cloud-computing data centers must reach 1.5 or below, highly efficient and intelligent energy storage system, early warning system and modular products become the key for power transmission and distribution equipment suppliers to address the challenges brought about by industrial transformation. The cloud data platform and big data intelligent power distribution ecosystem early planned and developed by the Group are expected to be kept abreast with the general market trend. Leveraging on the high value-added technological services, the Group will continue to develop the data center business so as to provide important driving force for the recovery in sales.

The Group pays equally great attention on strengthening and developing business from large-scale, quality and long-term customers at home and abroad. With over 30 years of industry experience, leading technological strength, extensive experience in domestic and overseas projects as well as excellent customer service experience, Boer Power has long won trust and support from the customers. In the future, we will continue to capitalize on our huge customer base and industry experience to explore other cooperation opportunities to enhance the Group's market share. Driven by the global investment boom in infrastructure, the Group will regard overseas market as an important driver for business growth. In its report, UBS predicted that the infrastructure investment in global emerging markets will reach USD5.5 trillion by 2025 whilst emerging economies' investment in power transmission and distribution will surge to satisfy the power demand attributable to the population growth, economic development and climate change. With the long-term cooperative relationship with large-scale engineering contractors in China and overseas countries, the Group expects to further expand our share in overseas market with Africa, Oman and Indonesia as the key development markets. According to the research report on global power transmission and distribution infrastructure market published by Visiongain, an international business intelligence research institute, the investment in Africa's power transmission and distribution infrastructure market in 2018 is expected to reach USD3.78 billion and Oman's average investment in power transmission and distribution in the next few years will reach USD4.2 billion. According to the latest report, International Energy Agency estimates that Southeast Asian countries' investment in power transmission and distribution from 2017 to 2025 will reach USD207 billion. In the past few years, the Group has gained extensive experience in project launch in the above markets. Coupling with Boer Power's in-depth cooperation with Fortune 500 companies as well as its strong reputation, the Group is confident to achieve further progress in overseas market.

Meanwhile, the Group is optimistic about smart city and smart town as the important growth driver in the future. Currently, there are more than 300 Smart City Pilot Schemes nationwide, and the development plan of all local governments and ministries with regard to smart cities have been rolled out. In August 2017, the Group entered into the strategic cooperation agreement with over 10 well-known real estate enterprises and related ancillary enterprises to actively explore opportunities in the smart real estate field to expedite and enhance the application of the Group's products and one-stop solutions in smart real estate projects. On the other hand, the development of smart characteristic town is a modern urban informatisation solution that takes into account economic transformation and upgrade, urban and rural development as well as supply-side structural reform. Since 2016, National Development and Reform Commission, Ministry of Housing and Urban-Rural Development and Ministry of Finance have successively issued various supportive policies and documents, laying the national key policy of developing smart town. The development of smart city and smart town requires stable and safe intelligent power distribution solutions to facilitate the access to "tri-networks" (telecommunication, internet and IoT) and provide support to the operation center constructed by cloud platform, thereby building the intelligent big data ecosystem. The Group is on the verge of commencing smart town projects in Jiangsu. In the future, the Group expects to capture the opportunities arising from the accelerated construction of smart city and smart town projects nationwide relying on our resource advantage in East China.

In addition to sales recovery, the Group aims to enhance its profitability through active improvement of sales structure and focused development on projects generating higher profits. Meanwhile, we will take various initiatives to enhance internal control, including continuous collection of receivables and improvement in liability structure to reduce finance cost as well as through refined management reducing procurement and production costs, administrative expenses and other expenses, in order to further enhance overall profitability. Last but not least, the Group will continue to improve the collection of receivables in the next few years to create greater benefits for the shareholders.

Industry of Internet is the key for China to take up the dominant position amid competition in the international manufacturing industry and the initiative to digital economic development. As the information industry is reforming from internet to IoT and further to IoB, the Group is well positioned to develop towards intelligent manufacturing, intelligent industry and IoB and develop a comprehensive layout in China's power transmission and distribution equipment manufacturing market amidst the four major trends, namely intelligence, integration, comprehensiveness and globalization, including enhancing independent product innovation capacity, creating our own brand and exploring the global market. We have always believed that innovation is the source of revitalization, the foundation of prosperity and what we are determined to, in order to promote long-term development with the power of innovation.

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 leases and borrowings. As at 31 December 2017, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB16 million (31 December 2016: approximately RMB28 million), approximately RMB612 million (31 December 2016: approximately RMB1,210 million) and approximately RMB1,340 million (31 December 2016: approximately RMB1,848 million) respectively. As at 31 December 2017, the Group had borrowings amounting to approximately RMB1,027 million (31 December 2016: approximately RMB1,190 million). Such cash and cash equivalents and borrowings are denominated in RMB. The Group's gearing ratio, which was expressed as a ratio of the borrowings over total equity, was 86.4% as at 31 December 2017 (31 December 2016: 88.2%).

CHARGES ON ASSETS

As at 31 December 2017, borrowings amounting to approximately RMB1,026,756,000 (31 December 2016: approximately RMB1,189,513,000) were secured by property, plant and equipment of RMB110,583,000 (31 December 2016: nil), lease prepayments of RMB31,634,000 (31 December 2016: nil) and pledged deposits of RMB322,200,000 (31 December 2016: RMB270,000,000).

ASSETS/LIABILITIES TURNOVER RATIO

The average inventory turnover days decreased by 38 days from 110 days for the year ended 31 December 2016 to 72 days for the year ended 31 December 2017. The average trade receivables turnover days decreased by 1,697 days from 2,779 days for the year ended 31 December 2016 to 1,082 days for the year ended 31 December 2017. This was mainly due to the fact that one of the Group's operating priorities in 2017 was to speed up the settlement of trade receivables and to conduct a detailed assessment of the customer's credit status. The settlement of outstanding trade receivables during the year was satisfactory. The average trade payables turnover days decreased by 742 days from 1,085 days for the year ended 31 December 2016 to 343 days for the year ended 31 December 2017. It was mainly due to the fact that the Group, after receiving payment of trade receivables, applied part of the payment in settling trade payables.

As at 25 March 2018, the Group received over RMB241.6 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2017.

GOING CONCERN BASIS

During the year ended 31 December 2017, the Group recorded a loss of RMB223,489,000 (31 December 2016: loss of RMB730,945,000. In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience in 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 Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2 to the Group's consolidated financial statements.

CONTINGENT LIABILITIES

Saved as disclosed in note 30 to the Group's consolidated financial statements, as at 31 December 2017, the Group did not have any contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PRC or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for 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 2017.

EMPLOYEES AND REMUNERATION POLICY

The Group had 1,016 (31 December 2016: 1,404) employees as at 31 December 2017. The total staff costs for the year under review were approximately RMB120 million (2016: approximately RMB140 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 28 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. Furthermore, the Group places great emphasis on the training and development of employees and regards excellent employees as a key factor in its competitiveness.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2017, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

	Proceeds from global offering RMB'000	Percentage	Used up to 31 December 2017 RMB'000	Unused balance 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 subsidiaries, 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 44, 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 (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., Boer Cloud Technology Company Limited, Boer (Shanghai) Switch Apparatus Co., Ltd., Boer Wuxi Transformer Co., Ltd. (formerly known as Wuxi Chien Cheng Electric Co., Ltd.), Boer Energy Jiangsu Co., Ltd. and Boer (Shanghai) International Trading Co., Ltd., Guangdong 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 44, 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 51, 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 71, 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 55, 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) and Wanda Hotel Development Company Limited (formerly known as Wanda Commercial Properties (Group) Co., Limited) (Stock Code: 169), which are all listed on the Main Board of the Stock Exchange. On 30 January 2018, Mr. Zhang ceased to be an Independent Non-executive Director of Yancoal Australia Ltd. (Stock Code: YAL), a company listed on the Australian Stock Exchange. On 27 March 2018, he also ceased to be an Independent Non-executive Director of Sinopec Oil Services Corporation (Stock Code: 1033), a company listed on the Main Board of the Stock Exchange. Since January 2016, Mr. Zhang has served as the Independent Non-executive Director of China Rapid Finance Ltd. that went public on the New York Stock Exchange (Stock Code: XRF) on 28 April 2017.

He is the Non-executive Chairman of China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange. 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. He was a managing director and Deputy Head of China Investment Banking at UBS between September 2008 and June 2011. Between July 1986 and January 1989, Mr. Zhang worked as a principal staff member with the People's Bank of China. Between April 2006 and September 2008, he was Chief Operating Officer at Hong Kong-listed Shenzhen Investment Limited (Stock Code: 0604).

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 48, 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 Deputy President and Executive Council Member 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 a Certified Public Accountant practicing in Hong Kong. He is also an Independent Non-executive Director of ANTA Sports Products Limited (Stock Code: 2020), Sitoy Group Holdings Limited (Stock Code: 1023) and Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), which are listed on the Main Board of the Stock Exchange. He was an Independent Non-executive Director of KFM Kingdom Holdings Limited (Stock Code: 3816) and Ta Yang Group Holdings Limited (Stock Code: 1991), both of which are listed on the Main Board of the Stock Exchange, from September 2015 to February 2016 and from May 2007 to September 2017 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 Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a Senior International Finance Manager of the International Financial Management Association. 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 54, 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 50, 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 and 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

AN Di

AN Di ("**Mr. An**"), aged 44, 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 Xi'an Jiaotong University with a diploma in Jurisprudence in 2006.

WU Chang

WU Chang ("**Mr. Wu**"), aged 48, is the Business and Technology Director of the Group. Mr. Wu is mainly responsible for project technical plan development, business quotations, industrial design of product technology and providing training to technical 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 and was then re-designated as the Business and Technology Director in March 2017. Mr. Wu graduated from Suzhou Sericulture College in 1993.

LI Xianli

LI Xianli ("**Mr. Li**"), aged 44, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

HAN Weidong

HAN Weidong ("**Mr. Han**"), aged 51, 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 45, is the Engineering Director of the Group and the Operation Manager of Wuxi Tezhong Electrical Capacitor Co., Limited. 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. In addition, Mr. Shen is responsible for production and operation management of Wuxi Tezhong Electrical Capacitor Co., Limited. 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 and 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 and was appointed as Operation Manager of Wuxi Tezhing Electrical Capacitor Co., Limited in April 2017. Mr. Shen graduated from Jiangsu Provincial Huaiyang Electronic Industrial College in 1993.

KWOK Yuk Chun

KWOK Yuk Chun ("**Ms. Kwok**"), aged 47, 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 37, 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 37, 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 32, 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 Lehman Brown 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 2017.

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 Listing Rules during the year ended 31 December 2017, except for the deviations from the code provisions A.2.1.

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 2017 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 2017.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2017, 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 2017, four 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)*	4	4
Ms. Jia Lingxia[(i)]	4	4
Mr. Zha Saibin	3	4
Mr. Qian Zhongming[(i)]	1	4
Non-executive Director		
Mr. Zhang Huaqiao	4	4
Independent Non-executive Directors		
Mr. Yeung Chi Tat	4	4
Mr. Tang Jianrong	4	4
Mr. Qu Weimin	4	4

Note:

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

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 2017, the Company had complied with Rules 3.10(1) and 3.10A of the Listing Rules. There were three Independent Non-executive Directors, representing one-third of the Board. Among the three Independent Non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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

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 2017, 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. Tang Jianrong, Mr. Yeung Chi Tat and Mr. Qu Weimin had retired from their offices and been re-elected as Non-executive Directors at the 2015 and 2016 AGM respectively. Mr. Qian Yixiang and Mr. Qian Zhongming, the Executive Directors and Mr. Zhang Huaqiao, the Non-executive Director 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 2017 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)]	✓
Non-executive Director	
Mr. Zhang Huaqiao	✓
Independent Non-executive Directors	
Mr. Yeung Chi Tat	✓
Mr. Tang Jianrong	✓
Mr. Qu Weimin	✓

Note:

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

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 2017, 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, conditions and terms 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 2017, one meeting was held by the Remuneration Committee to review and make recommendations of the remuneration of the Directors and senior management. 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. Tang Jianrong	1	1
Mr. Qu Weimin	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

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 2017, 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 2017, 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 2017. 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 2017, five 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	5	5
Mr. Tang Jianrong	5	5
Mr. Qu Weimin	3	5
Non-executive Director		
Mr. Zhang Huaqiao	5	5

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 2017.

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 2017, 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 2017, 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 2017, 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. Tang Jianrong	1	1
Mr. Qu Weimin	1	1
Executive Directors		
Mr. Qian Yixiang	1	1
Ms. Jia Lingxia	1	1

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 and risk management 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 2017, 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.

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 2017. The assessment report was reviewed by the Audit Committee and the Board. No major issue but areas for improvement to the Group's risk management and internal control systems have been identified. All recommendations from the external independent consultant would be followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considers that the internal control and risk management processes are adequate to meet the need of the Group in its current business environment.

Auditors' remuneration

KPMG has been appointed as the Company's external auditor since 2010. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

During the year ended 31 December 2017, 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	1,000
Non-audit service – Review of interim results	1,000
Internal control review	250
Total	2,250

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 2016 AGM was held on 1 June 2017 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	1

Mr. Qian Yixiang attended the AGM which was held on 1 June 2017 (the "2016 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 2016 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 2016 AGM.

During the year ended 31 December 2017, there have been no changes to the Company's constitutional documents.

COMPLIANCE WITH THE RISK MANAGEMENT AND INTERNAL CONTROL CODE

Internal Control 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 2017.

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 2017.

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 pages 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

CHARITABLE DONATIONS

No charitable donations made by the Group during the year (2016: approximately RMB22,000).

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 2017 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 2017 are set out in note 27(c) to the financial statements.

DISTRIBUTABILITY OF RESERVE

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$20,831,000 (31 December 2016: HK$21,528,000) and is set out in note 27(e) to the financial statements.

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 2017.

RESERVES

The movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and note 27(a) to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the five largest customers of the Group accounted for approximately 29% of the total revenue of the Group and the largest customer accounted for approximately 9% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 14% and 32% of the Group's total purchases for the year ended 31 December 2017, 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

During the year ended 31 December 2017, 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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2017, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors or entities connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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 2017.

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 2017.

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 2017 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.

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

The Company did not have any outstanding option at the beginning and at the end of the year. During the year ended 31 December 2017, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

As at the date of 2016 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.

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

As at the date of 2016 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 2017 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Chief Executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

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

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

The Directors and Chief Executive of the Company who held office as at 31 December 2017 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 2017, none of the Directors and Chief Executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2017, 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 2017, the Company had not been notified by any persons (other than the Directors and Chief Executive of the Company) who had interests or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group had not engaged in any connected transactions or continuing connected transactions during the year which requires disclosure in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

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 2017.

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
27 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOER POWER HOLDINGS LIMITED
(Incorporated in the 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 48 to 104, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 the Group recorded a loss of RMB223,489,000 for the year (2016: loss of RMB730,945,000). The Group has faced longer average trade receivables turnover days than its average trade payables turnover days which consequently may result in net operating cash outflows in the next twelve months. As stated in that note, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The 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 64 to 65.

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.	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; – inspecting significant sales returns after the financial year end and assessing whether such sales returns had been recorded in the appropriate financial period;

REVENUE RECOGNITION (continued)

The Key Audit Matter	How the matter was addressed in our audit
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.	– 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; – 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 58 to 59.

The Key Audit Matter	How the matter was addressed in our audit
As a result of a continuing increase in sales over the past few years (except 2016) 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 and 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 2017 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.

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.

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

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

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**758,671**	458,273
Cost of sales	4	**(593,771)**	(391,170)
Gross profit	4	**164,900**	67,103
Other income	5	**36,556**	84,317
Selling and distribution expenses		**(59,905)**	(63,383)
Administrative and other operating expenses		**(113,802)**	(169,504)
Impairment losses for trade and other receivables	17(b)	**(230,000)**	(718,021)
Loss from operations		**(202,251)**	(799,488)
Finance costs	6(a)	**(53,716)**	(83,081)
Loss before taxation	6	**(255,967)**	(882,569)
Income tax credit	7(a)	**32,478**	151,624
Loss for the year		**(223,489)**	(730,945)
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		**49,574**	(40,215)
Other comprehensive income for the year		**49,574**	(40,215)
Total comprehensive income for the year		**(173,915)**	(771,160)
Loss attributable to:			
Equity shareholders of the Company		**(220,974)**	(704,397)
Non-controlling interests		**(2,515)**	(26,548)
Loss for the year		**(223,489)**	(730,945)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(171,400)**	(744,612)
Non-controlling interests		**(2,515)**	(26,548)
Total comprehensive income for the year		**(173,915)**	(771,160)
Loss per share (RMB cents)	10		
Basic		**(29)**	(94)
Diluted		**(29)**	(94)

The notes on pages 53 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment property, other property, plant and equipment	11	**479,800**	407,334
Construction in progress	12	**–**	21,448
Intangible assets	13	**3,905**	4,260
Lease prepayments	14	**33,806**	34,108
Prepayments for purchase of equipment and acquisition of land use right		**–**	1,414
Available-for-sale investment		**10,348**	10,348
Deferred tax assets	26(b)	**199,852**	159,245
		727,711	638,157
Current assets			
Inventories	16	**100,700**	132,108
Trade and other receivables	17	**2,093,637**	2,795,643
Current tax asset	26(a)	**8,111**	8,111
Pledged deposits	19	**336,173**	415,268
Time deposits with original maturity over three months	20(a)	**–**	3,000
Cash and cash equivalents	20(a)	**15,655**	27,836
		2,554,276	3,381,966
Current liabilities			
Borrowings	21	**963,756**	1,189,513
Trade and other payables	22	**523,795**	967,162
Amounts due to related parties	31(a)	**431,422**	–
Obligations under finance leases	23	**6,702**	3,946
Current tax liabilities	26(a)	**16,507**	11,425
		1,942,182	2,172,046
Net current assets		**612,094**	1,209,920
Total assets less current liabilities		**1,339,805**	1,848,077
Non-current liabilities			
Borrowings	21	**63,000**	–
Amounts due to related parties	31(a)	**–**	450,231
Obligations under finance leases	23	**86,930**	47,336
Deferred tax liabilities	26(b)	**1,629**	1,770
		151,559	499,337
NET ASSETS		**1,188,246**	1,348,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	27(c)	**66,010**	66,010
Reserves	27(d)	**1,131,857**	1,303,257
Total equity attributable to equity shareholders of the Company		**1,197,867**	1,369,267
Non-controlling interests		**(9,621)**	(20,527)
TOTAL EQUITY		**1,188,246**	1,348,740

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Qian Yixiang
Director

Jia Lingxia
Director

The notes on pages 53 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017
(Expressed in Renminbi)

	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
		Attributable to equity shareholders of the Company											
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		–	–	–	–	–	–	–	–	–	–	11,000	11,000
Acquisition of non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	(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
Balance at 1 January 2017		66,010	(100,121)	20,710	1,505	250,347	21,436	372	(89,433)	1,198,441	1,369,267	(20,527)	1,348,740
Loss for the year		–	–	–	–	–	–	–	–	(220,974)	(220,974)	(2,515)	(223,489)
Other comprehensive income		–	–	–	–	–	–	–	49,574	–	49,574	–	49,574
Total comprehensive income for the year		–	–	–	–	–	–	–	49,574	(220,974)	(171,400)	(2,515)	(173,915)
Capital injection into subsidiaries		–	–	–	–	–	–	–	–	–	–	13,421	13,421
Appropriation to statutory reserve		–	–	–	–	1,990	–	–	–	(1,990)	–	–	–
Balance at 31 December 2017		66,010	(100,121)	20,710	1,505	252,337	21,436	372	(39,859)	975,477	1,197,867	(9,621)	1,188,246

The notes on pages 53 to 104 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	20(b)	**46,498**	182,312
Income tax paid		**(3,188)**	(46,978)
Net cash generated from operating activities		**43,310**	135,334
Investing activities			
Payment for purchase of property, plant and equipment		**(4,663)**	(11,972)
Payment for construction in progress		**(43,637)**	(8,880)
Payment for purchase of intangible assets		**(171)**	(475)
Lease prepayments		**(1,520)**	–
Cash received from acquisition of a subsidiary		**–**	1,074
Payment for acquisition of non-controlling interests of a subsidiary		**–**	(11,000)
Proceeds from disposal of a subsidiary		**–**	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 investment		**–**	99,500
Interest received		**3,069**	11,645
Investment income received		**–**	2,205
Maturity of time deposits with original maturity over three months		**3,000**	–
Placement of time deposits with original maturity over three months		**–**	(3,000)
Placement of pledged deposits		**(364,703)**	(658,772)
Withdrawal of pledged deposits		**443,798**	612,575
Net cash generated from investing activities		**35,173**	113,995
Financing activities			
Proceeds from borrowings	20(d)	**1,060,669**	1,233,480
Repayment of bank loans	20(d)	**(1,206,506)**	(1,907,227)
Proceeds from a finance lease	20(d)	**42,735**	59,965
Capital element of finance lease rentals paid	20(d)	**(385)**	(8,683)
Proceeds from minority shareholders		**13,421**	2,656
Advance from related parties	20(d)	**871,849**	1,259,265
Repayment of advance from related parties	20(d)	**(820,051)**	(850,738)
Interest element of finance lease rentals paid	20(d)	**(4,195)**	–
Payment for interest on borrowings		**(48,196)**	(83,081)
Dividends paid to equity shareholders of the Company	27(b)(i)/(ii)	**–**	(82,361)
Net cash used in financing activities		**(90,659)**	(376,724)
Net decrease in cash and cash equivalents		**(12,176)**	(127,395)
Cash and cash equivalents at 1 January	20(a)	**27,836**	155,285
Effect of foreign exchange rate changes		**(5)**	(54)
Cash and cash equivalents at 31 December	20(a)	**15,655**	27,836

The notes on pages 53 to 104 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 consolidated 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 consolidated 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 2017 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 2017, the Group recorded a loss of RMB223,489,000 (2016: loss of RMB730,945,000). In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience 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 in 2016 and 2017 for general working capital purposes. The loans are unsecured, non-interest bearing and repayable on demand. As at 31 December 2017, the Group's unused loans facilities was RMB714,348,000 (Note 31(a)(iii));

(ii) as at 31 December 2017, the unused bank loans facilities were RMB48,000,000 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. 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(d) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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(e)).

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

(e) Available-for-sale investment

An available-for-sale investment is initially stated at fair value, which is its 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.

An available-for-sale investment in equity securities that does not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured is recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from an available-for-sale investment is recognised in profit or loss in accordance with the policies set out in note 2(w)(ii).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties

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

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

(g) Other property, plant and equipment

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

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

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

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

(h) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(l)). Cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

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

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

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

–	Software	10 years
–	Trademarks	10 years

Both the period and method of amortisation are reviewed annually.

(j) 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.

(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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(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.

(k) Lease prepayments

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

(l) Impairment of assets

(i) Impairment of available-for-sale investment 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 investment are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of available-for-sale investment 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)

(l) 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 an 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(l)(i) and (ii)).

(m) Inventories

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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(w)(vi). 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 receivable”. Amounts received before the related work is performed are presented as “Receipts in advance” under “Trade and other payables”.

(o) Trade and other receivables

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

(p) 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.

(q) 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(v)(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.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits

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

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

(ii) Share-based payments

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

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

(u) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

(v) 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)

(v) 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(v)(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.

(w) 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/Dividends

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

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(vi) 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.

(x) 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.

(y) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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.

(aa) 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(n) and 2(w)(vi) 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.

For the year ended 31 December 2017, there was no customer with whom transactions have exceeded 10% of the Group's revenues. For the year ended 31 December 2016, there was one such customer and revenues from this customer amounted to approximately RMB47,434,000. Details of concentrations of credit risk arising from customers are set out in note 28(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)

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

	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 2017				
EDS Solutions	**925**	**(809)**	**116**	**36**
iEDS Solutions	**317,464**	**(246,290)**	**71,174**	**4,176**
EE Solutions	**253,957**	**(195,912)**	**58,045**	**7,987**
CSP Business	**186,325**	**(150,760)**	**35,565**	**8,885**
	758,671	**(593,771)**	**164,900**	**21,084**

	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

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:

	2017 RMB'000	2016 RMB'000
Cost of sales	**21,084**	17,452
Administrative expenses	**16,081**	15,743
	37,165	33,195

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

	2017 RMB'000	2016 RMB'000
Interest income from financial institutions	**4,039**	13,601
Other interest income	**1,020**	7,502
Investment income	**–**	2,205
Refund of value added taxes ("VAT")^	**2,249**	34,733
Government grants*	**22,246**	5,510
Net gain on acquisition and disposal of a subsidiary	**–**	13,952
Rental income from investment properties	**571**	–
Others	**6,431**	6,814
	36,556	84,317

^ 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 VAT refund of the portion of VAT actually paid which exceeds 3%. Refund of VAT is recognised by the Group when the amount is received from the relevant tax authority.

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

* Government grants were received from the government of the PRC mainly for reallocation compensation. There are no unfulfilled conditions or contingencies relating to the grants.

6 LOSS BEFORE TAXATION

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

		2017 RMB'000	2016 RMB'000
(a)	Finance costs:		
	Interest on borrowings	**49,521**	83,081
	Finance charges on obligation under finance leases (note 20(d))	**4,195**	–
		53,716	83,081
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**9,836**	10,718
	Salaries, wages and other benefits	**109,835**	129,398
		119,671	140,116
(c)	Other items:		
	Amortisation of intangible assets	**702**	594
	Amortisation of lease prepayments	**1,822**	1,069
	Depreciation	**34,641**	31,532
	Auditors' remuneration	**2,489**	3,230
	Impairment losses for trade receivables (note 17(b))	**230,000**	718,021
	Operating lease charges in respect of properties:		
	minimum lease payments	**6,021**	6,978
	Research and development (other than staff costs)	**3,859**	22,375
	Net loss on disposal of property, plant and equipment	**1,139**	400
	Net loss on disposal of lease prepayment	**–**	3,100
	Net foreign exchange (gain)/loss	**(1,352)**	1,726
	Cost of inventories (note 16(b))#	**558,091**	327,598

Cost of inventories includes RMB51,519,000 (2016: RMB50,452,000) 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:

	2017 RMB'000	2016 RMB'000
Current tax		
Provision for PRC income tax for the year	7,332	8,616
Under/(over)-provision in respect of prior year	938	(412)
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(366)	–
Origination and reversal of temporary differences		
– Withholding tax (note (iv))	–	(14,000)
– Others	(40,382)	(145,828)
	(32,478)	(151,624)

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

	2017 RMB'000	2016 RMB'000
Loss before taxation	(255,967)	(882,569)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	(62,976)	(215,751)
Tax effect of PRC preferential tax treatments (note (iii))	20,266	70,134
Tax effect of non-deductible expenses	3,387	7,934
Tax effect of non-taxable income	–	(4,124)
Tax effect of unused tax losses not recognised (note 26(d))	6,555	6,032
Tax effect of additional deduction on research and development expenses and cost of disabled employees	(282)	(1,437)
Under/(over)-provision of tax expenses for prior year	938	(412)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(366)	–
Withholding tax (note (iv))	–	(14,000)
Actual tax credit	(32,478)	(151,624)

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 or the BVI.

(ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Dubai Multi Commodities Centre ("DMCC"), Mexico, Indonesia and Spain as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to DMCC, Mexican, Indonesian and Spanish Corporate Taxes during each of the years ended 31 December 2017 and 2016.

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

(b) Reconciliation between tax credit and accounting loss at applicable tax rates: (continued)

Notes: (continued)

(iii) PRC income tax

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

(iv) Withholding tax

According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the *Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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. No dividends withholding tax was recognised 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' EMOLUMENTS

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 2017				
Executive Directors				
Mr. Qian Yixiang	–	–	6	6
Ms. Jia Lingxia	–	–	6	6
Mr. Zha Saibin	–	–	6	6
Mr. Qian Zhongming	–	10	–	10
Non-executive Director				
Mr. Zhang Huaqiao	–	–	–	–
Independent Non-executive Directors				
Mr. Yeung Chi Tat	311	–	–	311
Mr. Tang Jianrong	207	–	–	207
Mr. Qu Weimin	156	–	–	156
Total	674	10	18	702

8 DIRECTORS' EMOLUMENTS (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 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.

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' EMOLUMENTS (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 January 2017 to 31 December 2017	–	1,037	1,037
Ms. Jia Lingxia	1 January 2017 to 31 December 2017	–	830	830
Mr. Zha Saibin	1 January 2017 to 31 December 2017	–	830	830
Mr. Qian Zhongming	1 February 2017 to 31 December 2017	–	820	820
Non-executive Director				
Mr. Zhang Huaqiao	1 January 2017 to 31 December 2017	570	–	570
Total		570	3,517	4,087

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: two) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining four (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	**4,200**	3,777
Contributions to retirement benefit schemes	**215**	219
	4,415	3,996

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of the four (2016: three) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	4	3

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 (2016: Nil).

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB220,974,000 (2016: loss attributable to equity shareholders of the Company of RMB704,397,000) and the weighted average of 749,426,000 ordinary shares (2016: 749,426,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017 ’000	2016 ’000
Issued ordinary shares at 1 January	**773,769**	773,769
Effect of shares held for share award scheme	**(24,343)**	(24,343)
Weighted average number of ordinary shares at 31 December	**749,426**	749,426

(b) Diluted loss per share

There were no dilutive potential ordinary shares during each of the year ended 31 December 2017 and 2016, and therefore, diluted loss per share is the same as the basic loss per share.

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 properties RMB'000	Total RMB'000
Cost:							
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	–	180,046	–	–	180,046	–	180,046
Disposal of a subsidiary	–	(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
At 1 January 2017	**200,464**	**155,705**	**9,589**	**20,314**	**386,072**	**148,554**	**534,626**
Additions	**173**	**4,801**	**79**	**494**	**5,547**	**9,100**	**14,647**
Transfer from construction in progress	**20,943**	**72,204**	**–**	**–**	**93,147**	**–**	**93,147**
Disposals	**(3,602)**	**(660)**	**(342)**	**(166)**	**(4,770)**	**–**	**(4,770)**
Exchange adjustments	**601**	**–**	**–**	**15**	**616**	**–**	**616**
At 31 December 2017	**218,579**	**232,050**	**9,326**	**20,657**	**480,612**	**157,654**	**638,266**
Accumulated depreciation:							
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	–	(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
At 1 January 2017	**57,174**	**46,743**	**7,568**	**13,275**	**124,760**	**2,532**	**127,292**
Charge for the year	**11,470**	**12,675**	**812**	**2,405**	**27,362**	**7,279**	**34,641**
Written back on disposals	**(2,527)**	**(629)**	**(280)**	**(56)**	**(3,492)**	**–**	**(3,492)**
Exchange adjustments	**11**	**–**	**–**	**14**	**25**	**–**	**25**
At 31 December 2017	**66,128**	**58,789**	**8,100**	**15,638**	**148,655**	**9,811**	**158,466**
Net book value:							
At 31 December 2017	**152,451**	**173,261**	**1,226**	**5,019**	**331,957**	**147,843**	**479,800**
At 31 December 2016	143,290	108,962	2,021	7,039	261,312	146,022	407,334

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 2017, certain buildings with carrying value of RMB110,583,000 (2016: Nil) have been pledged to a bank as security for bank loans (see note 21(c)).

(c) As at 31 December 2017, the Group was in the process of obtaining the property ownership certificates in respect of certain properties and investment properties located in the PRC with net book values of RMB37,605,000 (31 December 2016: RMB43,973,000) and RMB127,837,000 (31 December 2016: RMB146,022,000) respectively.

(d) The Group's investment properties consist of commercial and industrial properties situated in the PRC. The fair value of the investment properties was RMB147,843,000 (2016: RMB148,610,000) as at 31 December 2017 based on the valuation performed by a qualified independent real estate appraisal company in the PRC.

(e) Property, plant and equipment held under finance leases

The Group sold and leased back plant and equipment under finance leases expiring from six to ten years. At the end of lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. During the year, additions to plant and equipment financed by a new finance lease were RMB43,678,000 (2016: RMB61,247,000). No gain or loss arose from these sale and lease back transactions. No contingent rentals is included in these finance leases.

At the end of the reporting period, the net book value of plant and equipment held under these finance leases was RMB101,996,000 (31 December 2016: RMB61,247,000).

(f) Investment property leased out under operating leases

In 2017 the Group leased out certain investment properties with carrying value of RMB20,006,000 under operating leases. The leases typically run for an initial period of five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**543**	–
After 1 year but within 5 years	**4,666**	–
	5,209	–

12 CONSTRUCTION IN PROGRESS

	2017 RMB'000	2016 RMB'000
At 1 January	**21,448**	75,549
Additions	**71,699**	22,057
Disposal	**–**	(240)
Transfer to property, plant and equipment	**(93,147)**	(75,918)
At 31 December	**–**	21,448

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

13 INTANGIBLE ASSETS

	Software RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
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
At 1 January 2017	**1,209**	**5,584**	**6,793**
Additions	**171**	**–**	**171**
Exchange adjustments	**–**	**176**	**176**
At 31 December 2017	**1,380**	**5,760**	**7,140**
Accumulated amortisation:			
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
At 1 January 2017	**521**	**2,012**	**2,533**
Charge for the year	**100**	**602**	**702**
At 31 December 2017	**621**	**2,614**	**3,235**
Net book value:			
At 31 December 2017	**759**	**3,146**	**3,905**
At 31 December 2016	688	3,572	4,260

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

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	**40,641**	83,526
Additions	**1,520**	–
Disposal	**–**	(42,885)
At 31 December	**42,161**	40,641
Accumulated amortisation:		
At 1 January	**6,533**	8,103
Charge for the year	**1,822**	1,069
Written back on disposal	**–**	(2,639)
At 31 December	**8,355**	6,533
Net book value:		
At 31 December	**33,806**	34,108

The Group's land is located in the PRC. The Group is granted with land use rights for a period of 50 years. As at 31 December 2017, the land use rights with carrying value of RMB31,634,000 (31 December 2016: Nil) have been pledged to a bank as security for bank loans (see note 21(c)).

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) and (iii))	PRC	RMB43,350,000	–	60%	Provision of energy efficiency solutions

(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	
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
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
Boer Cloud Technology Company Limited.* (“博耳雲科技有限公司” or “Boer Cloud”) (note (ii) and (iv))	PRC	HK$5,983,725	–	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

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	
Shanghai Boer (note (ii))	PRC	RMB35,000,000	–	100%	Manufacture and sale of components and spare parts
Temper Energy International, Sociedad Limitada	Spain	1,008,852 shares of EUR3.1 each	–	100%	Trading of components and spare parts
Boer Software (note (i))	PRC	HK$50,000,000	–	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.

(iii) The registered capital of Boer Energy is RMB70,000,000 and the remaining amount of RMB26,650,000 was yet to be contributed by the Group at 31 December 2017, which is required to be contributed on or before 31 December 2036.

(iv) The registered capital of Boer Cloud is HK$50,000,000 and the remaining amount of HK$44,016,275 was yet to be contributed by the Group at 31 December 2017, which is required to be contributed on or before 3 March 2021.

* 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:

	2017 RMB'000	2016 RMB'000
Raw materials	50,108	40,527
Work in progress	13,596	31,004
Finished goods	36,996	60,577
	100,700	132,108

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	558,091	323,038
Write down of inventories	–	4,560
	558,091	327,598

17 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**1,350,059**	1,773,631
Loans to customers	**345,290**	482,157
Retention receivables	**176,873**	150,598
Bills receivable	**43,830**	134,626
Gross amount due from customers from contract work (note 18)	**–**	40,699
Amount due from a related party (note 31(a))	**13,340**	–
Prepayments, deposits and other receivables	**164,245**	213,932
	2,093,637	2,795,643

Loans to customers of RMB345,290,000 (31 December 2016: RMB482,157,000) 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 2017 that is expected to be settled after one year is RMB614,292,000 (31 December 2016: 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 2017, the Group had endorsed and derecognised bank acceptance bills totalling RMB37,759,000 (31 December 2016: RMB246,716,000). These derecognised bank acceptance bills were endorsed to suppliers and had a maturity date of less than twelve 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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**281,783**	144,916
Over 3 months but within 6 months	**32,985**	43,581
Over 6 months but within 1 year	**147,636**	88,765
Over 1 year	**1,409,818**	2,129,124
At 31 December	**1,872,222**	2,406,386

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, 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(l)(i)).

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

	2017 RMB'000	2016 RMB'000
At 1 January	**742,748**	28,479
Impairment loss recognised	**230,000**	718,021
Uncollectible amounts written off	**(373)**	(3,769)
Exchange adjustments	**(44)**	17
At 31 December	**972,331**	742,748

At 31 December 2017, trade receivables, loans to customers and retention receivables of RMB1,378,840,000 (31 December 2016: 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 RMB930,072,000 (31 December 2016: 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 2017, there were no receivables that were past due but not impaired and allowances for doubtful debts resulting from the collective assessment amounted to RMB42,259,000 (31 December 2016: RMB36,503,000).

18 CONSTRUCTION CONTRACTS

All construction contracts in 2017 were completed. 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 2017, is nil (31 December 2016: RMB64,002,000).

19 PLEDGED DEPOSITS

Bank deposits have been pledged to banks for bank loans (see note 21(c)) and quality guarantee issued to customers. These deposits will be released upon settlement of relevant bank loans and expiry of relevant quality guarantee period.

20 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

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

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	**15,655**	27,836
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**15,655**	27,836
Time deposits with original maturity over three months	**–**	3,000
	15,655	30,836

At 31 December 2017, the balances that were placed with banks in the PRC amounted to RMB11,262,000 (31 December 2016: RMB23,697,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

	Note	2017 RMB'000	2016 RMB'000
Loss before taxation		**(255,967)**	(882,569)
Adjustments for:			
– Amortisation of intangible assets	6(c)	**702**	594
– Amortisation of lease prepayments	6(c)	**1,822**	1,069
– Depreciation	6(c)	**34,641**	31,532
– Finance costs	6(a)	**53,716**	83,081
– Investment income	5	**–**	(2,205)
– Interest income from financial institutions	5	**(4,039)**	(13,601)
– Other interest income	5	**(1,020)**	(7,502)
– Net loss on disposal of property, plant and equipment	6(c)	**1,139**	400
– Net loss on disposal of lease prepayment	6(c)	**–**	3,100
– Impairment losses for trade receivables	6(c)	**230,000**	718,021
– Write-down of inventories	16(b)	**–**	4,560
– Net gain on acquisition and disposal of a subsidiary	5	**–**	(13,952)
– Net foreign exchange (gain)/loss	6(c)	**(1,352)**	1,726
Changes in working capital:			
– Decrease/(increase) in inventories		**31,408**	(41,050)
– Decrease in trade and other receivables		**428,390**	766,359
– Decrease in trade and other payables		**(472,942)**	(467,251)
Cash generated from operations		**46,498**	182,312

20 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (continued)

(c) Major non-cash transactions

During the year, the Group obtained certain properties from one of its customers for settlement of its trade receivable of RMB9,100,000 (2016: RMB96,874,000).

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings RMB'000 (note 21)	Obligations under finance leases RMB'000 (note 23)	Amount due to related parties RMB'000	Total RMB'000
At 1 January 2017	1,189,513	51,282	450,231	1,691,026
Changes from financing cash flows:				
Proceeds from bank loans	1,060,669	–	–	1,060,669
Repayment of bank loans	(1,206,506)	–	–	(1,206,506)
Proceeds from a finance lease	–	42,735	–	42,735
Capital element of finance lease rentals paid	–	(385)	–	(385)
Interest element of finance lease rentals paid	–	(4,195)	–	(4,195)
Advance from related parties	–	–	871,849	871,849
Repayment of advance from related parties	–	–	(820,051)	(820,051)
Total changes from financing cash flows	(145,837)	38,155	51,798	(55,884)
Exchange adjustments:	(16,920)	–	(33,407)	(50,327)
Other changes				
Finance charges on obligation under finance leases (note 6(a))	–	4,195	–	4,195
Decrease in bills receivable	–	–	(37,200)	(37,200)
At 31 December 2017	1,026,756	93,632	431,422	1,551,810

21 BORROWINGS

(a) At 31 December 2017, the analysis of the carrying amount of borrowings is as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
– secured	**499,756**	259,115
– unsecured	**457,000**	930,398
Secured entrusted loans	**70,000**	–
	1,026,756	1,189,513

(b) At 31 December 2017, borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	**963,756**	1,189,513
After 1 year but within 2 years	**7,000**	–
After 2 years but within 5 years	**56,000**	–
	63,000	–
	1,026,756	1,189,513

(c) Borrowings were secured by the following assets:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment (note 11)	**110,583**	–
Lease prepayments (note 14)	**31,634**	–
Pledged deposits (note 19)	**322,200**	270,000
	464,417	270,000

At 31 December 2017, the effective interest rates of the borrowings of the Group were in the range from 1.88% to 9% per annum (31 December 2016: range from 1.42% to 6.50% per annum).

At 31 December 2017, no bank loans (31 December 2016: RMB278,920,000) were obtained in connection with factoring arrangements with customers.

22 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**309,766**	804,699
Receipts in advance	**23,219**	12,812
Other payables and accruals	**190,810**	149,651
	523,795	967,162

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 (which are included in trade and other payables), is as follows:

	2017 RMB'000	2016 RMB'000
Due within 1 month or on demand	**245,156**	737,769
Due after 1 month but within 3 months	**44,130**	54,072
Due after 3 months but within 6 months	**20,480**	12,858
	309,766	804,699

23 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**6,702**	**6,959**	3,946	4,103
After 1 year but within 2 years	**29,781**	**33,349**	3,671	4,103
After 2 years but within 5 years	**34,582**	**44,222**	31,724	40,000
After 5 years	**22,567**	**35,862**	11,941	18,462
	86,930	**113,433**	47,336	62,565
	93,632	**120,392**	51,282	66,668
Less: total future interest expenses		**(26,760)**		(15,386)
Present value of lease obligations		**93,632**		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% (2016: 19% to 20%) 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% (2016: 23.6% and 4.7%), respectively, of the employee's relevant income, subject to a cap of monthly relevant income of EUR3,751.20 (2016: EUR3,642.00). The minimum contribution period to qualify for the retirement benefit is 15 years, with a full pension attainable after 37 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 2017 and 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:

	2017 RMB'000	2016 RMB'000
Prepaid withholding tax on dividends distribution	**8,111**	8,111
Provision for PRC income tax	**16,507**	11,425

(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 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
At 1 January 2017	**120,246**	**429**	**8,592**	**(1,770)**	**1,225**	**-**	**28,753**	**157,475**
Credited/(charged) to profit or loss (note 7(a))	**38,734**	**-**	**(5,343)**	**141**	**9**	**-**	**7,207**	**40,748**
At 31 December 2017	**158,980**	**429**	**3,249**	**(1,629)**	**1,234**	**-**	**35,960**	**198,223**

(ii) Reconciliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax assets	**199,852**	159,245
Net deferred tax liabilities	**(1,629)**	(1,770)
	198,223	157,475

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

(c) Deferred tax liabilities not recognised

The Group is subject to 5% (2016: 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 2017, deferred tax liabilities in respect of temporary differences relating to undistributed profits of RMB1,514,821,000 (2016: RMB1,531,499,000) 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(u), the Group has not recognised deferred tax assets of RMB6,555,000 (2016: RMB6,032,000) 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 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	32	66,010	(100,121)	20,710	1,505	372	(40,912)	136,083	83,647
At 1 January 2017		66,010	(100,121)	20,710	1,505	372	(40,912)	136,083	83,647
Loss for the year		–	–	–	–	–	–	(603)	(603)
Other comprehensive income		–	–	–	–	–	(3,176)	–	(3,176)
Total comprehensive income for the year		–	–	–	–	–	(3,176)	(603)	(3,779)
At 31 December 2017	32	66,010	(100,121)	20,710	1,505	372	(44,088)	135,480	79,868

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) The directors do not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

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

	2017 **RMB'000**	2016 RMB'000
Second special dividend in respect of the previous financial year, approved and paid during the year (the year ended 31 December 2016: HK13 cents per share)	**–**	82,361

(c) Share capital

Details of authorised and issued share capital are as follows:

	2017 **HK$'000**	2016 HK$'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	 RMB'000
Issued and fully paid:				
At 31 December 2016 and 31 December 2017	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.

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(iv) Statutory reserve

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

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

(v) Capital reserve

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

(vi) Capital redemption reserve

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

(vii) 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(x).

(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 FINANCIAL RISK MANAGEMENT AND FAIR VALUES 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 1.3%, 6.5% and 6% (2016: 0.2%, 2% and 5%) of the total trade receivables were due from the Group's largest customer, the five largest customers and largest debtor as at 31 December 2017. 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 2017, no bank loans (31 December 2016: RMB278,920,000) were obtained in connection to factoring arrangements with customers during the year.

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 2017, the Group had endorsed bank acceptance bills to its suppliers totalling RMB69,371,000 (31 December 2016: RMB380,646,000), among which an amount of RMB37,759,000 (31 December 2016: 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 twelve months from issue, the Group's maximum loss in case of default is RMB37,759,000 (2016: RMB246,716,000) before these bills mature by 31 December 2018.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES 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/management 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:

	2017					
	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 years RMB'000
Borrowings	1,026,756	1,061,417	990,069	12,408	58,940	–
Trade and other payables	523,795	523,795	523,795	–	–	–
Amounts due to related parties	431,422	431,422	431,422	–	–	–
Obligations under finance leases	93,632	120,392	6,959	33,349	44,222	35,862
	2,075,605	2,137,026	1,952,245	45,757	103,162	35,862

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.

	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 years RMB'000
Borrowings	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

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from 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 liabilities as at the end of the reporting period:

	2017		2016	
	Effective interest rate per annum	RMB'000	Effective Interest rate per annum	RMB'000
Fixed rate instruments:				
Borrowings	4.35%–9%	741,880	1.69%–6.50%	1,140,035
Obligations under finance leases	6.62%–7.25%	93,632	7.25%	51,282
Variable rate instruments:				
Borrowings	1.88%–2.56%	284,876	1.42%	49,478
Total instruments		1,120,388		1,240,795

As at 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased retained profit by approximately RMB2,849,000 (31 December 2016: RMB495,000).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from variable rate borrowings held by the Group at the end of the reporting period, the impact on the Group's loss 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 2017 and 2016.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2017.

29 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Authorised but not contracted for	**102,950**	155,430

(b) Operating lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**2,703**	2,919
After 1 year but within 5 years	**1,237**	1,137
After 5 years	**–**	695
	3,940	4,751

Significant leasing arrangements in respect of property, plant and equipment classified as being held under finance leases are described in note 11(e).

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

30 FINANCIAL GUARANTEE ISSUED

As at the end of the reporting period, the Group has issued several financial guarantees in respect of loans of RMB4,841,000 (31 December 2016: RMB13,910,000) made by finance companies to debtors of the Group with a guarantee period of five years.

(Expressed in Renminbi unless otherwise indicated)

31 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.

During the year ended 31 December 2017, the Directors are of the view that the following parties are related parties of the Group:

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

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

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties

(i) Transactions

Cash advances from related parties

Name of party	2017 RMB'000	2016 RMB'000
Mr. Qian Yixiang	**100,000**	173,282
Ms. Jia Lingxia	**140,000**	99,509
King Able	**90,307**	349,593
Wuxi Boer	**536,988**	598,986
Bright Rise	**–**	17,992
Boer Smart	**4,554**	19,903
	871,849	1,259,265

Settlement of cash advances from related parties

Name of party	2017 RMB'000	2016 RMB'000
Mr. Qian Yixiang	**144,602**	82,096
Ms. Jia Lingxia	**48,000**	97,710
King Able	**91,125**	197,586
Wuxi Boer	**553,948**	473,346
Bright Rise	**–**	–
Boer Smart	**19,576**	–
	857,251	850,738

Payment on behalf of a related party

Name of party	2017 RMB'000	2016 RMB'000
Wuxi Boer	**13,340**	–

Net outstanding amounts owed to related parties

Name of party	2017 RMB'000	2016 RMB'000
Mr. Qian Yixiang	**161,960**	91,208
Ms. Jia Lingxia	**93,709**	1,844
King Able	**23,140**	152,008
Wuxi Boer	**117,984**	167,238
Bright Rise	**16,674**	17,992
Boer Smart	**4,615**	19,941
	418,082	450,231

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Financial assistance from related parties (continued)

(ii) Loans from related parties

Loans facilities granted from related parties

Pursuant to several loan facility agreements signed in 2016 and 2017, the related parties as lenders and the Group as borrower, loan facilities were granted to the Group for its general working capital purposes.

Those loans are all unsecured, non-interest bearing and repayable on demand.

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

(iii) Unused loans facilities

Name of party	2017 RMB'000	2016 RMB'000
Mr. Qian Yixiang, Ms. Jia Lingxia and King Able	393,921	357,714
Mr. Qian Yixiang, Mr. Qian Zhongming and Wuxi Boer	168,676	132,762
Mr. Qian Yixiang, Ms. Jia Lingxia and Bright Rise	83,326	82,008
Mr. Qian Yixiang and Boer Singapore	38,040	108,792
Boer Smart	30,385	15,059
	714,348	696,335

(b) Financial guarantees received from related parties

At 31 December 2017, borrowings amounted to RMB276,880,000 were guaranteed by Mr. Qian Yixiang, Ms. Jia Lingxia and Shanghai Changcheng (31 December 2016: RMB207,000,000).

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

The related party transactions mentioned in note 31(a) and 31(b) above constitute connected transaction as defined in Chapter 14A of the Listing Rules. However, the transaction mentioned in note 31(a) and 31(b) is fully exempt from shareholders' approval, annual review and all disclosure requirement under Rule 14A.90 of the Listing Rules.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2017 RMB'000	2016 RMB'000
Contributions to defined contribution retirement plans	305	459
Salaries, wages and other benefits	4,962	8,058
	5,267	8,517

32 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment in subsidiaries		**39,997**	39,997
Amounts due from subsidiaries		**240,176**	270,673
Amount due from a related party		**9,340**	–
		289,513	310,670
Current assets			
Cash at bank		**167**	100
Current liabilities			
Bank loans		**31,681**	49,478
Other payables		**39**	43
Amount due to a subsidiary		**161,418**	149,889
Amounts due to related parties		**16,674**	27,713
		209,812	227,123
Net current liabilities		**(209,645)**	(227,023)
NET ASSETS		**79,868**	83,647
CAPITAL AND RESERVES	27(a)		
Share capital		**66,010**	66,010
Reserves		**13,858**	17,637
TOTAL EQUITY		**79,868**	83,647

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, 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.

(Expressed in Renminbi unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 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
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
Amendments to HKAS 40, Investment property: Transfer of investment property	1 January 2018
HK(IFRIC) 22, Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretation is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the assessment completed to date is based on the information currently available to the Group, the actual impacts upon the initial adoption of the standards may differ and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9, Financial instruments

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments (continued)

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

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

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

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

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

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

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

(b) *Impairment*

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

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, Revenue from contracts with customers

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

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

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 29(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB3,940,000 for properties, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedients, and which transition approach to be taken.