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## **BOER POWER HOLDINGS LIMITED**

### **博耳電力控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1685)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

### **HIGHLIGHTS**

- Revenue amounted to approximately RMB259.3 million, representing a decrease of 73.3% as compared to last period.
- Revenue from sales of Electrical Distribution System Solutions increased by 148.9% to approximately RMB4.0 million which represented 1.6% of total revenue.
- Revenue from provision of Cloud-managed Service, amounted to approximately RMB0.3 million which represented 0.1% of total revenue.
- Revenue from sales of Intelligent Electrical Distribution System Solutions decreased by 82.3% to approximately RMB103.9 million which represented 40.0% of total revenue.
- Revenue from sales of Energy Efficiency Solutions decreased by 74.2% to approximately RMB76.2 million which represented 29.4% of total revenue.
- Revenue from Components and Spare Parts Business decreased by 16.8% to approximately RMB74.9 million which represented 28.9% of total revenue.
- Gross profit margin decreased from 40.5% to 37.7%.
- Profit attributable to equity shareholders of the Company decreased by approximately 99.9% to RMB0.2 million (six months ended 30 June 2015: RMB259.6 million).
- As at 30 June 2016, the outstanding contract backlog amounted to approximately RMB2,208.3 million. Most of the outstanding contract backlog is expected to be completed by the end of this year.
- As at 28 August 2016, the Group received over RMB133.8 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 30 June 2016.
- By the end of September 2016, the Group expects to receive further cash inflows of approximately RMB230 million for settlement of outstanding trade receivables and loans to customers relating to certain significant projects.

The Board of Directors (the “Board”) of Boer Power Holdings Limited (the “Company” or “Boer Power”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the same period last year, as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016 – unaudited*

*(Expressed in Renminbi)*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	5	<b>259,304</b>	972,378
Cost of sales	5	<u><b>(161,659)</b></u>	<u>(578,631)</u>
<b>Gross profit</b>	5	<b>97,645</b>	393,747
Other income	6	<b>48,896</b>	57,243
Selling and distribution expenses		<b>(21,719)</b>	(24,604)
Administrative expenses		<u><b>(78,795)</b></u>	<u>(105,996)</u>
<b>Profit from operations</b>		<b>46,027</b>	320,390
Finance costs	7(a)	<u><b>(44,354)</b></u>	<u>(16,905)</u>
<b>Profit before taxation</b>	7	<b>1,673</b>	303,485
Income tax credit/(expense)	8	<u><b>5,209</b></u>	<u>(43,877)</u>
<b>Profit for the period</b>		<b>6,882</b>	259,608
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		<u><b>(6,225)</b></u>	<u>798</u>
<b>Total comprehensive income for the period</b>		<u><b>657</b></u>	<u>260,406</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*For the six months ended 30 June 2016 – unaudited*

*(Expressed in Renminbi)*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>200</b>	259,648
Non-controlling interests		<b>6,682</b>	(40)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>6,882</b>	259,608
		<hr/>	<hr/>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>(6,025)</b>	260,446
Non-controlling interests		<b>6,682</b>	(40)
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		<b>657</b>	260,406
		<hr/>	<hr/>
<b>Earnings per share (RMB cents)</b>	<b>9</b>		
Basic		<b>–</b>	35
		<hr/>	<hr/>
Diluted		<b>–</b>	35
		<hr/>	<hr/>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2016 – unaudited*

*(Expressed in Renminbi)*

		At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Investment property, other property, plant and equipment	10	248,743	246,443
Construction in progress		84,573	75,549
Intangible assets		4,289	3,845
Lease prepayments		36,311	75,423
Prepayments for purchase of equipment and acquisition of land use right		1,614	3,056
Prepayment for an investment		30,180	30,180
Deferred tax assets		11,700	13,713
		<u>417,410</u>	<u>448,209</u>
<b>Current assets</b>			
Inventories		123,731	102,971
Trade and other receivables	11	4,380,012	4,630,933
Current tax asset		8,111	8,111
Pledged deposits		415,391	369,071
Available-for-sale investments		64,000	99,500
Cash and cash equivalents		28,260	155,285
		<u>5,019,505</u>	<u>5,365,871</u>
<b>Current liabilities</b>			
Bank loans	12	1,661,073	1,851,562
Trade and other payables	13	1,261,296	1,670,092
Amounts due to shareholders		146,620	–
Amounts due to other related parties		236,342	26,556
Current tax liabilities		9,354	50,199
		<u>3,314,685</u>	<u>3,598,409</u>
<b>Net current assets</b>		<u>1,704,820</u>	<u>1,767,462</u>
<b>Total assets less current liabilities</b>		<u>2,122,230</u>	<u>2,215,671</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,918	16,066
<b>NET ASSETS</b>		<u>2,120,312</u>	<u>2,199,605</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2016 – unaudited**(Expressed in Renminbi)*

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>		
Share capital	66,010	66,010
Reserves	<u>2,041,844</u>	<u>2,130,230</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,107,854</b>	2,196,240
<b>Non-controlling interests</b>	<u>12,458</u>	<u>3,365</u>
<b>TOTAL EQUITY</b>	<u><b>2,120,312</b></u>	<u><b>2,199,605</b></u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

### 1. GENERAL INFORMATION

Boer Power Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 12 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (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”).

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 20 October 2010.

### 2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3. Details of the comparative amounts for the restatements of the six months ended 30 June 2015 are set out in note 4.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company’s registered office. The Company’s auditor expressed an unqualified opinion on those financial statements, and included an emphasis of matter paragraph, in its report dated 30 March 2016.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in Renminbi unless otherwise indicated)*

### 2. BASIS OF PREPARATION (CONTINUED)

During the period ended 30 June 2016, the Group recorded net cash outflows from operating activities of RMB145,231,000 (six months ended 30 June 2015: RMB851,759,000 (restated)) for the period and significant trade receivables, loans to customers, retention receivables and bills receivable of RMB4,087,310,000 at 30 June 2016. The Group faced longer trade receivable turnover days than its average trade payable turnover days which consequently resulted in net cash outflow. 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.

The Directors have reviewed the financial position of the Group and have concluded that 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, having regard to the following:

- (i) the Group has entered into several loan facility agreements with the controlling shareholders and other related parties during the period for general working capital purposes. The loans are term loan facilities with a term of three years, unsecured and non-interest bearing. The Group has option, but not the obligation, to repay the loan amount drawn down prior to its maturity. As at 30 June 2016, the Group's unused loans facilities was RMB728,067,000;
- (ii) as at 30 June 2016, the unused bank loans facilities were RMB299,748,000 for providing additional working capital of the Group. Subsequent to 30 June 2016, the Group has obtained new bank loan facilities of RMB150,000,000;
- (iii) the Group expects to generate positive operating cash flows from the recovery of trade receivables for the next twelve months;
- (iv) the Group is actively and regularly reviewing its capital structure and planning to issue bonds as additional source of capital in the foreseeable future; and
- (v) 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.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in Renminbi unless otherwise indicated)*

### 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **Annual Improvements to HKFRSs 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the group's interim financial report as the group does not present the relevant required disclosures outside the interim financial statements.

#### **Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the group's interim financial report.

### 4. PRIOR PERIOD ADJUSTMENT

In the course of preparation of the Group's annual financial statements for the year ended 31 December 2015, the directors made certain adjustments to rectify errors relating to the Group's annual financial statements for the years ended 31 December 2014 and 2013 and the Group's interim financial report for the six months ended 30 June 2015 ("the 2015 Interim Financial Report").

Further details of this correction can be found in note 4 to the financial statements for the year ended 31 December 2015. The amounts of the restatements for each financial statement line item affected for the six months ended 30 June 2015 are as follows:

#### **Condensed consolidated cash flow statement**

	<b>Six months ended 30 June 2015</b>		
	<b>As previously reported in the 2015 Interim Financial Report RMB'000</b>	<b>Adjustments (Decrease)/ increase RMB'000</b>	<b>Restated RMB'000</b>
Net cash used in operating activities	(433,478)	(418,281)	(851,759)
Net cash used in financing activities	(292,525)	212,447	(80,078)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

## 5. REVENUE AND SEGMENT REPORTING

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

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

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

The Group has five separate segments:

- Cloud-managed Service (“Cloud-managed Service”), which is a segment newly set up in 2015;
- Electrical Distribution System Solutions (“EDS Solutions”);
- Intelligent Electrical Distribution System Solutions (“iEDS Solutions”), which include product line series of Intelligent Power Grid Solutions and Intelligent Power Distribution Integrated Solutions;
- Energy Efficiency Solutions (“EE Solutions”), which include product line series of Managed and Enhanced EE Solutions and Equipment-enhanced EE Solutions; and
- Components and Spare Parts Business (“CSP Business”), which includes product line series of Special CSP and Standard CSP.

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

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
<b>Six months ended 30 June 2016</b>				
Cloud-managed Service	338	(252)	86	10
EDS Solutions	4,047	(2,925)	1,122	125
iEDS Solutions	103,860	(66,986)	36,874	3,185
Intelligent Power Grid Solutions	26,108	(17,035)	9,073	
Intelligent Power Distribution Integrated Solutions	77,752	(49,951)	27,801	
EE Solutions	76,164	(38,456)	37,708	2,335
Managed and Enhanced EE Solutions	15,823	(9,473)	6,350	
Equipment-enhanced EE Solutions	60,341	(28,983)	31,358	
CSP Business	74,895	(53,040)	21,855	2,296
Special CSP	37,887	(27,898)	9,989	
Standard CSP	37,008	(25,142)	11,866	
	<b>259,304</b>	<b>(161,659)</b>	<b>97,645</b>	<b>7,951</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

## 5. REVENUE AND SEGMENT REPORTING (CONTINUED)

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000	Depreciation and amortisation included in cost of sales RMB'000
<b>Six months ended 30 June 2015</b>				
Cloud-managed Service	—	—	—	—
EDS Solutions	1,626	(1,136)	490	13
iEDS Solutions	585,643	(365,861)	219,782	4,483
Intelligent Power Grid Solutions	59,330	(38,399)	20,931	
Intelligent Power Distribution Integrated Solutions	526,313	(327,462)	198,851	
EE Solutions	295,052	(143,671)	151,381	2,259
Managed and Enhanced EE Solutions	292,094	(141,705)	150,389	
Equipment-enhanced EE Solutions	2,958	(1,966)	992	
CSP Business	90,057	(67,963)	22,094	689
Special CSP	52,089	(38,442)	13,647	
Standard CSP	37,968	(29,521)	8,447	
	<b>972,378</b>	<b>(578,631)</b>	<b>393,747</b>	<b>7,444</b>

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of sales	<b>7,951</b>	7,444
Administrative expenses	<b>4,442</b>	4,302
	<b>12,393</b>	<b>11,746</b>

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.

The Group's operations are not subject to significant seasonality fluctuations.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 6. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income from financial institutions	10,194	13,553
Investment (loss)/income	(93)	10,484
Refund of value added taxes ("VAT")^	33,602	30,870
Government grants	2,005	88
Others	3,188	2,248
	<u>48,896</u>	<u>57,243</u>

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

### 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank borrowings	<u>44,354</u>	<u>16,905</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	5,104	4,415
Equity-settled share-based payment expenses	–	11,781
Salaries, wages and other benefits	<u>39,856</u>	<u>41,494</u>
	<u>44,960</u>	<u>57,690</u>
(c) Other items:		
Amortisation of intangible assets	305	279
Amortisation of lease prepayments	548	964
Depreciation	11,540	10,503
Impairment losses for trade receivables	9,354	3,314
Operating lease charges in respect of properties	2,673	2,558
Research and development costs (other than staff costs)	9,272	32,871
Net loss on disposal of property, plant and equipment	13	–
Net foreign exchange losses	2,369	2,914
Cost of inventories sold <sup>#</sup>	<u>161,659</u>	<u>578,631</u>

<sup>#</sup> Cost of inventories sold includes RMB20,437,000 (six months ended 30 June 2015: RMB25,082,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 7(b) and (c) for each of these types of expenses.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

## 8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Current tax</b>		
Provision for PRC income tax for the period	6,174	44,308
Under/(over)-provision in respect of prior year	752	(2,703)
Withholding tax ( <i>note (iv)</i> )	–	1,385
<b>Deferred tax</b>		
Origination and reversal of temporary differences		
– Withholding tax ( <i>note (iv)</i> )	(14,000)	–
– Others	1,865	887
	<b>(5,209)</b>	<b>43,877</b>

### Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Dubai Multi Commodities Centre (“DMCC”), Mexico, Indonesia and Spain as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to DMCC, Mexican, Indonesian and Spanish Corporate Taxes during each of the six months ended 30 June 2016 and 2015.

### (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 (a) Boer (Wuxi) Power System Co., Ltd., Boer (Yixing) Power System Co., Ltd.\* (“博耳(宜興)電力成套有限公司” or “Boer Yixing”) and Boer (Shanghai) Switch Apparatus Co., Ltd.\* (“博耳(上海)電器開關有限公司”), which are qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%; and (b) Boer (Wuxi) Software Technology Limited\* (“博耳(無錫)軟件科技有限公司”) which is a qualified Software Enterprise and is therefore entitled to a preferential tax rate of 12.5% in 2016 and 2015.

### (iv) Withholding tax

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in Renminbi unless otherwise indicated)*

### 8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

#### (iv) Withholding tax (continued)

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

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

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

### 9. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB200,000 (six months ended 30 June 2015: RMB259,648,000) and the weighted average number of 749,426,000 ordinary shares (six months ended 30 June 2015: 749,024,000 ordinary shares) in issue during the interim period.

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB200,000 (six months ended 30 June 2015: RMB259,648,000) and the weighted average number of 749,426,000 ordinary shares (six months ended 30 June 2015: 749,085,000 ordinary shares) in issue adjusted for the potential dilutive effect caused by the shares granted and fully vested under the share award scheme.

### 10. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of RMB13,949,000 (six months ended 30 June 2015: RMB4,218,000).

As at 30 June 2016, the Group was in the process of obtaining the property ownership certificates in respect of certain properties and investment properties located in the PRC with net book values of RMB45,367,000 (31 December 2015: RMB46,752,000) and RMB51,680,000 (31 December 2015: RMB51,680,000) respectively.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 11. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	2,317,971	2,960,660
Less than 3 months past due	223,340	467,610
More than 3 months but less than 6 months past due	207,418	85,774
More than 6 months but less than 1 year past due	500,984	219,169
More than 1 year past due	837,597	664,150
Trade receivables, loans to customers, retention receivables and bills receivable, net of allowance for doubtful debts	4,087,310	4,397,363
Prepayments, deposits and other receivables	292,702	233,570
	<b>4,380,012</b>	<b>4,630,933</b>

All of the trade and other receivables except for retentions held by customers of RMB143,820,000 (31 December 2015: RMB165,204,000) are expected to be recovered or realised within one year.

At the end of each reporting period, 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 by recording the impairment in an allowance account where events or changes in circumstances indicate that the balances may not be collectible unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, loans to customers, retention receivables and bills receivable directly. At 30 June 2016, the Group's trade receivables, loans to customers, retention receivables and bills receivable of RMB35,757,000 (31 December 2015: RMB28,479,000) were determined to be impaired.

At 30 June 2016, RMB1,870,671,000 (31 December 2015: RMB2,105,235,000) of the Group's trade receivables and loans to customers balance were secured by the Group's customers, as follows:

- (i) Collaterals in the form of leasehold land, properties and construction in progress; and
- (ii) Pledge of the customers' certain assets, including equity interests and rights to collection of service fee income.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in Renminbi unless otherwise indicated)*

### 12. BANK LOANS

As at 30 June 2016, all of the bank loans were repayable within one year with effective interest rates from 1.08% to 6.50% per annum (31 December 2015: range from 1.30% to 6.50% per annum) and were secured by the following:

- (i) Pledged deposits of RMB197,000,000 (31 December 2015: pledged deposits of RMB246,980,000); and
- (ii) Unlisted investments in wealth management products with principal amounts of RMB64,000,000 (31 December 2015: RMB64,000,000).

As at 30 June 2016, bank loans of RMB715,128,000 (31 December 2015: RMB909,253,000) were in connection with factoring arrangements with customers during the period.

### 13. TRADE AND OTHER PAYABLES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Due within 1 month or on demand	989,199	1,185,052
Due after 1 month but within 3 months	178,094	273,221
Due after 3 months but within 6 months	16,471	62,502
	<hr/>	<hr/>
Trade payables and bills payable	1,183,764	1,520,775
Receipts in advance	14,622	11,274
Other payables and accruals	62,910	138,043
	<hr/>	<hr/>
	1,261,296	1,670,092
	<hr/>	<hr/>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in Renminbi unless otherwise indicated)*

### 14. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB162,158,000).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Special dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 30 June 2015: HK18 cents)	–	109,144
Second special dividend in respect of the previous financial year, approved and paid during the interim period of HK13 cents per share (six months ended 30 June 2015: Nil)	<b>82,361</b>	–
Final dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 30 June 2015: HK19 cents)	–	114,072
	<b>82,361</b>	<b>223,216</b>

### 15. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2016 not provided for in the interim financial report were as follows:

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Authorised but not contracted for	<b>155,520</b>	<b>156,890</b>

## **EXTRACT OF INDEPENDENT REVIEW REPORT**

The following is the extract of the independent review report on the Group's interim financial information for the six months ended 30 June 2016 prepared by the external auditor of the Company, KPMG:

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to note 2 to the interim financial report which discloses that the Group recorded net cash outflows from operating activities of RMB145,231,000 for the period and significant trade receivables, loans to customers, retention receivables and bills receivable of RMB4,087,310,000 at 30 June 2016. The Group faced longer trade receivable turnover days than its average trade payable turnover days which consequently resulted in net cash outflow. 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 interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Review**

Despite the complicated economic condition home and abroad and the continued pressure of economic downturn, China's government maintained the national economy fluctuation in a reasonable range during the first half of 2016 through implementation of effective macroeconomic policies, with its gross domestic product recording a year-on-year growth of 6.7%. Weak investor sentiment remained to have a significant negative impact on China's economy. According to the official statistics of the National Bureau of Statistics, the fixed asset investment in China recorded a nominal year-on-year growth of 9%, representing a further decrease as compared to the first quarter of 2016. In particular, the private sector investment which accounted for 61.5% of the total investment merely recorded a growth of 2.8%, reflecting that the sentiment remained weak.

In spite of the unfavorable domestic and international macroeconomic conditions, together with a slowdown in private sector investment, the private sector investment in the manufacturing industry of electronic machinery and appliance still recorded a year-on-year growth of 9.7%, being almost 7 percentage points higher than the overall growth rate of private sector investment. This showed that the market demand for the electricity transmission and distribution equipment and components still climbed steadily.

During the period under review, demand for intelligent electricity distribution, energy efficiency management products and services witnessed a growth driven by intelligent upgrade on power distribution network, robust development of private medical institutions, implementation of the Internet medical service model as well as the investment and construction boom of large-scale intelligent data centers (the “IDC”) driven by the development of cloud computation, bringing significant development opportunities to corporates which provide intelligent electricity distribution and energy efficiency management services. The Group proactively promoted the development of its core businesses in highlighted industries such as the IDC, telecommunications, medical services and power grids during the period under review.

Amid the softened global economic growth, the economic development in Southeast Asia region steered ahead stably. Meanwhile, large-scale investment and construction of infrastructures drove strong demand for the electricity transmission and distribution products and services in the region. Moreover, along with the implementation of “One Belt, One Road” initiative, corporate investment from the PRC has been increased in the covered areas. Against this backdrop, the large-scale infrastructure projects led by corporates in the PRC have paved the way for the domestic high-end electricity transmission and distribution products and services to speed up their pace of “venturing out”.

## **Business Review**

In order to recover trade receivables as soon as possible and address the potential concerns which may arise from the original factoring business model over the future development of the Group’s businesses, the Group has shifted the operation and management focus to reforming the factoring business and corporate internal management. As the Group made adjustments on the original factoring business model and conducted review and renegotiation of its outstanding contract backlog, the Group was not able to execute or complete the outstanding contract backlog on schedule during the period under review, resulting in a significant decrease in revenue and net profit.

Although the earnings of the Group declined as a result of business model adjustment during the period under review, this is not a determining factor for the Group’s operating results in the long run. In the first half of 2016, leveraging on the long-standing brand and technological advantage and along with the adjustments to the business model, the Group’s core businesses continued to obtain new orders in the fields of telecommunications, data center, medical services, power grids, infrastructure and renowned international brands.

During the six months ended 30 June 2016, the business of the Group can be divided into the following five segments:

Cloud-managed Service (“Cloud-managed Service”);

Electrical Distribution System Solutions (“EDS Solutions”);

Intelligent Electrical Distribution System Solutions (“iEDS Solutions”);

Energy Efficiency Solutions (“EE Solutions”); and

Components and Spare Parts Business (“CSP Business”).

During the period under review, the Group provided intelligent electricity distribution, energy saving products and one-stop integrated solutions for industries such as telecommunications, data center, medical services, power grids and infrastructure as well as the existing customers of renowned international brands. As core businesses, namely, iEDS Solutions and EE Solutions recorded revenue of approximately RMB103,860,000 and RMB76,164,000, respectively. Targeting the green field of the operation and maintenance management services in the domestic electricity transmission and distribution equipment market, the Group speeded up its pace to command presence of Cloud-managed Service in key areas and cities in China during the first half of 2016. Currently, the expansion has covered 23 regional cities such as Chongqing, Wuhan, Hangzhou and Nanjing.

The cloud computation, mega-data platform and “Internet Plus” have accelerated the penetrations into the industry, driving a rapid growth in Internet traffic and promoting the sentiment for corporates of various industries such as property and finance to enter the IDC market. IDC construction, particularly the large-scale ones, have entered the rapid development stage. According to the latest research statistics from Zhongke Zhidao (Beijing) Technology Company Limited, the total size of the IDC market in China amounted to RMB51.86 billion in 2015, representing a year-on-year growth of 39.3%. According to the introduction of He Baohong, the Secretary General of Data Center Alliance in the PRC, made in the 2016 IDC Innovation and Development Forum, there were totally 246 data centers under construction as planned in China whereas 37 ultra-large/large scale data centers have been in use, with a production rate of 47.4%. The power density of IDC grew almost ten-fold over the past decade. As the cost of energy increased at a rate which was eight times of that of the IT equipment procurement cost, large-scale IDC construction posed an enormous challenge to resources and environment. Along with the construction of eco-friendly data centers, the Power Usage Effectiveness has been further increased. As the focus of the IDC plan and construction is to accomplish the goal of energy saving and consumption reduction, a continuous growth was seen in the market demand for intelligent electrical distribution and energy saving products and services. In this sense, the Group’s “One-stop Data Center Solution” for data centers can accommodate the demand of IDCs in terms of safety, efficiency, energy saving and consumption reduction. Therefore, the solution is widely applied on data centers established by telecommunication operators, online content providers, financial institutions and other industries. The Group has also progressively established good long-term relationship with the market leaders of the telecommunications and data center industries. During the period under review, the Group once again collaborated with GDS Data Center and won the bid for the newly built data center project no. 90 located in Shanghai Waigaoqiao to provide integrated solutions of high and low voltage intelligent electricity distribution for the project.

In accordance with the latest official data issued by the National Health and Family Planning Commission of the People’s Republic of China (“NHFPC”), as of the end of March 2016, there were 14,996 private hospitals, representing an increase of 2,126 hospitals or approximately 16.5% as compared with the corresponding period of the previous year. In the first quarter of 2016, the total number of medical visits of the private hospitals in the PRC amounted to 92 million, representing an increase of 21.2% on a year-on-year basis. The

growth improved way beyond the growth of the medical and healthcare institutions (3.1%) and the growth of state-owned hospitals (6.6%) in the PRC. The desire of entering the medical industry remained high for the private sector, and construction of private hospitals was underway in full speed. It facilitated the identifying of new medical projects by the Group and expedited its business expansion in medical industry. Following the development of large scale medical data application and the establishment of the Internet medical service model, the power consumption of the medical industry surged. Accordingly, “High Security, Strong Stability, Efficient Energy-saving” became the core requirements of the medical industry towards intelligent electrical distribution and energy management products and services. The integrated solution for medical service provided by the Group, including intelligent electricity distribution equipment, medical information systems, procurement and installation of mechanical and electrical equipment, fully catered to the requirements of the medical service industry, and gained recognitions of its customers.

During the period under review, Zhoukou East New District People’s Hospital, of which the integrated solution for medical services was provided by the Group, officially commenced its operation. It was another successful application of the Group’s integrated solution in the medical services industry.

Leveraging our leading technological strength, quality products and services as well as competitive prices, the Group has maintained long-term relationship with renowned enterprises from a wide spectrum of industries such as infrastructure and retailing. During the period under review, the Group once again partnered with Qingdao Metro and won the bid for Qingdao Metro Line 2 Project Phase I, with a contract amount of approximately RMB35,000,000. In addition, AB InBev, a company with which the Group has maintained a five-year relationship, also negotiated for cooperation with the Group during the period in terms of the relocation project Phase I of AB InBev Xuejin (Putian) Brewery Co., Ltd., a company under AB InBev, whereas the Group shall provide integrated solution for the high and low voltage intelligent electricity distribution. Based on the consolidation of the existing customer relationship, during the first half of 2016, the Group has been proactively seeking opportunities in quality projects of the real estate sector and successfully won the bid for Hefei Yuefang International Center Project, the first metro stations shopping mall in Binhu District, Hefei, whereas the Group shall provide the integrated solution for electricity distribution.

In the first half of 2016, the Group maintained close relationship with the long term customers in power grids industry, which ensured smooth progress of the cooperation projects. During the period under review, Boer (Wuxi) Power System Co., Ltd., a wholly-owned subsidiary of the Group, successfully passed the verification of supplier qualification by State Grid Corporation of China (“State Grid”) for certain equipment, including high voltage switch board, ring main unit, box-type switching station, etc., and successfully obtained the certification of supplier qualification issued by State Grid. The obtaining of supplier qualification from State Grid is the supporting document necessary for the bidding held by State Grid. Further, it is conducive to deepening future cooperation between the Group and State Grid whilst proving the leading position of the Company’s products, technologies and overall strength.

During the period under review, apart from leveraging the Group's advantages in its core businesses and continuing to increase the market shares of highlighted industries such as medical services, telecommunications and IDC, the Group has also put more efforts in expanding Cloud-managed Service and proactively attempted to strengthen presence in the market throughout China. As of 30 June 2016, Cloud-managed Service has been successfully promoted to 23 major regional cities such as Chongqing, Wuhan, Hangzhou, Wuxi, Nanjing, Fuzhou and Qingdao. Cloud-managed Service is currently in a stage of establishing market presence, therefore, its revenue did not account for a large proportion during the period under review. Cloud-managed Service has successfully broadened the Group's revenue sources. We believe that Cloud-managed Service will constantly contribute significant revenue to the Group subject to the establishment of its presence throughout China and gradual accumulation of customer resources.

During the first half of 2016, the Group's business performance in the overseas market was impressive. Taking advantage of the opportunities arising from the proactive promotion of large-scale infrastructure development in Southeast Asia and Middle East, during the period under review, the Group entered into collaboration with China National Technical Import & Export Corporation in terms of the combined-cycle power plant project in Curacao, Bangladesh, and won a number of combined-cycle power plant projects in Oman. As at 30 June 2016, the Group has established overseas branches and sales companies in three countries, namely Spain, Mexico and Indonesia and established a research and development base in Spain for product development to meet local demands. The Group believed that this is conducive to gradually ratcheting up its market share in European markets by the Group.

In order to further expand the Group's technological strength, during the period under review, the Group increased its research and development capacity and launched 25 new products in total, including X-smart gas insulated equipment, double pole moulded-case circuit breaker of NLE series, micro circuit breaker of BRX3 series and various sensors tailor-made for Cloud-managed Service such as PMW1700 multi-channel collection devices, PMW170 multi-channel zero-sequence collection devices and PMW17/PMW30 multi-channel data collection devices.

As at 30 June 2016, the Group's outstanding contract backlog amounted to approximately RMB2,208,280,000, which comprised iEDS Solutions, EE Solutions and CSP Business, mainly from customers of data centers, infrastructure, telecommunication, medical and distributors of spare parts, etc. Most of the outstanding contract backlog is expected to be completed by the end of this year.

The total revenue of the Group amounted to approximately RMB259,304,000 for the six months ended 30 June 2016, representing a decrease of 73.3% as compared to the same period last year. The decrease in revenue was mainly attributable to non-processing and incompleteness of the outstanding contract backlog as scheduled in the first half of 2016. This is mainly due to the review and renegotiation of the outstanding contract backlog by the Group as part of the exercise to adjust the model of the factoring business, and during such exercise the management shifted the focus to reforming the factoring business and corporate internal management during the first half of 2016.

The total profit attributable to the equity shareholders of the Company amounted to approximately RMB200,000 for the six months ended 30 June 2016, representing a substantial decrease as compared to the same period last year. The decrease in profit was mainly due to the substantial decline in revenue contribution from both the iEDS Solutions and EE Solutions business segments.

As at 30 June 2016, the total assets of the Group were approximately RMB5,436,915,000 (31 December 2015: approximately RMB5,814,080,000) while the total liabilities were approximately RMB3,316,603,000 (31 December 2015: approximately RMB3,614,475,000) and the total equity of the Group amounted to approximately RMB2,120,312,000 (31 December 2015: approximately RMB2,199,605,000).

## **Operation and Financial Review**

### *Cloud-managed Service*

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

The Cloud-managed Service is the Group’s new service launched to the market during second half of 2015. The revenue of Cloud-managed Service of the Group for the six months ended 30 June 2016 was approximately RMB338,000, which accounted for approximately 0.1% of the Group’s total revenue for the period. The gross profit of this business segment was approximately RMB86,000.

The gross profit margin of Cloud-managed Service segment was 25.4% for the current period.

### *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 revenue of EDS Solutions of the Group for the six months ended 30 June 2016 amounted to approximately RMB4,047,000 (six months ended 30 June 2015: approximately RMB1,626,000), representing approximately 1.6% (six months ended 30 June 2015: approximately 0.2%) of the Group’s total revenue for the period. An increase in revenue of EDS Solutions of 148.9% was recorded and the gross profit of this business segment was approximately RMB1,122,000 (six months ended 30 June 2015: approximately RMB490,000), representing an increase of 129.0% as compared to the same period last year.

The gross profit margin of EDS Solutions segment decreased from 30.1% for the six months ended 30 June 2015 to 27.7% for the period.

### *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 revenue of iEDS Solutions of the Group for the six months ended 30 June 2016 was approximately RMB103,860,000 (six months ended 30 June 2015: approximately RMB585,643,000), which accounted for approximately 40.0% (six months ended 30 June 2015: approximately 60.2%) of the Group's total revenue for the period. The decrease in the revenue of iEDS Solutions was 82.3% for the six months ended 30 June 2016 as compared to the same period last year. Due to the unfavorable condition of the global economy and domestic market and coupled with the Group's reforming the factoring business, the relevant contracts were reviewed and renegotiated which resulted in unexecuted and incompleting contracts and hence a decrease in gross profit. The gross profit of this business segment was approximately RMB36,874,000 (six months ended 30 June 2015: approximately RMB219,782,000), representing a decrease of 83.2% as compared to the same period last year.

The gross profit margin of iEDS Solutions segment decreased from 37.5% for the six months ended 30 June 2015 to 35.5% for the period. The fluctuation in gross profit margin is within the normal range.

### *EE Solutions*

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

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

- Managed and Enhanced EE Solutions: the power saving products and solutions the Group provided to end-user customers of power consumption; and
- Equipment-enhanced EE Solutions: the power saving equipment and solutions the Group provided to customers at their power supply end.

The revenue of EE Solutions of the Group for the six months ended 30 June 2016 was approximately RMB76,164,000 (six months ended 30 June 2015: approximately RMB295,052,000), which accounted for approximately 29.4% (six months ended 30 June 2015: approximately 30.3%) of the Group's total revenue for the period. Revenue for the six months ended 30 June 2016 decreased by 74.2% as compared to the same period last year. The substantial decrease in revenue was also mainly attributable to the above-mentioned adjustment of the model of factoring business. The gross profit of this business segment was approximately RMB37,708,000 (six months ended 30 June 2015: approximately RMB151,381,000), representing a decrease of 75.1% as compared to the same period last year.

The gross profit margin of EE Solutions segment decreased from 51.3% for the six months ended 30 June 2015 to 49.5% for the period. The fluctuation in gross profit margin is within the normal range.

#### *CSP Business*

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

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

- Special CSP: the custom-made parts ordered by the Group's long term customers; and
- Standard CSP: the general parts and components being sold by the Group.

The revenue of CSP Business of the Group for the six months ended 30 June 2016 was approximately RMB74,895,000 (six months ended 30 June 2015: approximately RMB90,057,000), which accounted for approximately 28.9% (six months ended 30 June 2015: approximately 9.3%) of the Group's total revenue for the period. Due to the continued pressure of economic downturn, a decrease in the revenue of CSP Business of 16.8% for the six months ended 30 June 2016 was recorded. The gross profit of this business segment was approximately RMB21,855,000 (six months ended 30 June 2015: approximately RMB22,094,000), representing a decrease of 1.1% as compared to the same period last year.

The gross profit margin of CSP Business segment increased from 24.5% for the six months ended 30 June 2015 to 29.2% for the period. The fluctuation in gross profit margin is within the normal range.

## Prospect

In the second half of 2016, the Group's operation focuses remained the seeking of appropriate solutions based on the consolidation of core business development of the original non-factoring model, including but not limited to obtaining alternative sources of funding and renegotiation to determine orders so as to advance the progress of order backlog execution affected by the adjustment of factoring business model. The Group strives to procure most of the backlog orders to commence execution or be completed within 2016.

In addition, in the second half of 2016, the Group will continue to deepen the internal management, enhance cost control and recovery of trade receivables, aiming to effectively implement the internal control policy and ensure strict compliance with the newly-established internal control procedures by the internal audit team, risk management department, finance department and the relevant departments to absolutely avoid operational and financial risks. Meanwhile, the Group will speed up returns to maintain sound cash flow of the Group so as to secure sufficient fund available for its long-term development.

There is no shortcut to the improvement of internal control and recovery of trade receivables. They take time and proceed step by step, during which the business development of the Group might be affected to some extent. However, the management believes that through the adjustment of factoring business model, the Group will be able to eliminate the potential risks involved in the original factoring business model. This, on one hand, will not harm the long-term development of the Group's business, and on the other hand, facilitate the Group to more cautiously select the appropriate development model, and steadily advance business development and minimize the operational risks.

In addition, promoting the transformation and upgrade of eco-friendly IDCs, power industry, medical services industry and industry is included as the focus efforts during the period of the 13th Five Year Plan and has gained support from the favorable key strategic policy. As "Energy saving and consumption reduction" has become the common aspiration of these industries, it is expected that strong demand for intelligent electricity distribution and energy efficiency management products and services by these industries will persist. IDC, telecommunications, medical services and power grids are our targeted sectors for further exploration and the Group has been maintaining long-term cooperation with customers of these industries. With our solid customer base and extensive experience in the relevant projects as well as the well-defined positioning of our quality and efficient services and products, we believe that it is conducive to grasping the opportunities arising from the rapid growth and eco-friendly trend in these industries by the Group. In the second half of 2016, the Group will further explore the business network of Cloud-managed Service to expand its footprint in the PRC, laying a solid foundation for the long-term development of Cloud-managed Service. For the overseas markets, a great number of large-scale infrastructure construction projects commenced in Southeast Asian region. In addition, as the covered areas driven by the "One Belt, One Road" initiative have become the focused external investment by corporates in the PRC, the infrastructure construction projects led by corporates in the PRC have successively commenced which will generate opportunities for the expansion of overseas projects of the Group. In view of the fact that domestic and overseas markets generally favor the development of intelligent electricity distribution, power saving products and services, together with the Group being the industry's leading integrated solution provider that possesses the advantages in technology, customer resources, project experience and market shares, the management remains optimistic about the overall business development of the Group throughout the year 2016.

## Prior Period/Years Adjustments

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

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

The loans to customers were intended to be made on the short term basis and were for assisting the Group to maintain a good relationship with its banks. Such good relationship is to the long term benefit of the Group.

As such settlements on behalf of customers were not initially planned and took place on an ad-hoc and individually negotiated basis, the finance department of the Group, due to oversight, failed to properly and systematically document such transactions, including loans to customers, financing for such loans, and subsequent settlement from customers as they took place. Such oversight was discovered during the process in preparation of the annual results for the year ended 31 December 2015. Following that, the management immediately performed a full examination and assessment of its trade receivables previously derecognised under the factoring arrangement and the financing of the customers, and made the necessary adjustments and restatements of the Group's consolidated statements of financial position as at 31 December 2013 and 2014, consolidated cash flow statements for the year ended 31 December 2013 and 2014, and condensed consolidated cash flow statement for six months ended 30 June 2015. The adjustments and restatements can be found in 2015 annual report and note 4 of the financial statements of 2016 interim report. The adjustments and restatements did not affect the figures presented in the Group's consolidated statement of profit or loss and other comprehensive income for the six month ended 30 June 2015 and the Group's consolidated statement of financial position as at 31 December 2015.

During the period, the Group did not provide any financial assistance to customers, and hence no revenue was involved in such financial assistance.

Subsequent to the Group's consolidated financial statements for the year ended 31 December 2015, and as at 28 August 2016, RMB163,529,000 of the overdue loans to customers (representing 12.8% of those loans as at 31 December 2015) has been settled.

### **Liquidity and Financial Resources**

The Group's principal financial instruments comprise cash and cash equivalents, available-for-sale investments, trade and other receivables, trade and other payables, amounts due to shareholders, amounts due to other related parties and bank loans. As at 30 June 2016, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB28,260,000 (31 December 2015: approximately RMB155,285,000), approximately RMB1,704,820,000 (31 December 2015: approximately RMB1,767,462,000) and approximately RMB2,122,230,000 (31 December 2015: approximately RMB2,215,671,000), respectively. As at 30 June 2016, the Group had bank loans amounting to approximately RMB1,661,073,000 (31 December 2015: approximately RMB1,851,562,000).

### **Assets/Liabilities Turnover Ratio**

The average inventory turnover days increased by 84 days from 44 days as at 30 June 2015 to 128 days as at 30 June 2016. It was mainly attributable to the substantial decline in revenue during the current period. The average trade receivables turnover days increased by 2,488 days from 490 days as at 30 June 2015 (restated) to 2,978 days as at 30 June 2016. It was mainly due to the fact that a large portion of sales which took place at the end of 2015 were not yet due as at 30 June 2016. The weak domestic economy also resulted in slower payments from certain customers. The average trade payables turnover days increased by 1,169 days from 353 days as at 30 June 2015 to 1,522 days as at 30 June 2016. It was mainly due to increase in average trade payables as a result of longer credit periods negotiated with certain suppliers last year. Furthermore, due to the increase in trade receivables turnover days, the Group obtained longer credit periods from suppliers in order to avoid the liquid capital will be put under pressure.

As at 28 August 2016, the Group received over RMB133,802,000 from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 30 June 2016.

By the end of September 2016, the Group expects to receive further cash inflows of approximately RMB230,000,000 for settlement of outstanding trade receivables and loans to customers relating to certain significant projects.

## **Going Concern Basis**

The Group recorded net cash outflows from operating activities of RMB145,231,000 for the period and significant trade receivables, loans to customers, retention receivables and bills receivable as at 30 June 2016. The Group faced longer trade receivable turnover days than its average trade payable turnover days which consequently resulted in net cash outflow. 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 interim financial report has been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the bankers and the Group's ability to generate sufficient cash flows from future operations to cover the group's operating costs and to meet its financing commitments. Details of the going concern basis have been set out in note 2 to the Group's consolidated financial statements.

## **Contingent Liabilities**

As at 30 June 2016, the Group did not have any contingent liabilities.

## **Financial Management Policies**

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

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

## **Significant Investment Held, Material Acquisition and Disposal**

The Group had no significant investments held or material acquisitions and disposals during the six months ended 30 June 2016.

## **Employees and Remuneration Policy**

The Group had 1,350 employees as at 30 June 2016 (30 June 2015: 1,271). The total staff costs for the period under review were approximately RMB45 million (six months ended 30 June 2015: approximately RMB58 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 to be borne by the Group in the event of default of payment by customers), liquidity risk, etc.

### *2. Commercial risks*

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

### *3. Operational risks*

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

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

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

## **Environmental Policies and Performance**

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

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

## **Relationship with Employees**

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

## **Relationship with Suppliers and Customers**

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

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

## **Compliance with Laws and Regulations**

The Directors place emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on the information available, the Directors take the view that during the six months ended 30 June 2016, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## **SHARE OPTION SCHEME**

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

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

### **Grant of Options to connected persons or any of their associates**

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

- (i) represent in aggregate over 0.1% of the shares in issue on the date of such grant; and
- (ii) have an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million,

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

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

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

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

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

- (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the shares.

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

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

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

As at the date of 2015 annual report and this interim report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

## **SHARE AWARD SCHEME**

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

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

The total number of all the shares purchased by the trustee under the Share Award Scheme must not exceed 10% of the issued shares as at the Adoption Date (being 77,812,500 shares) unless the Board otherwise decides. The maximum number of shares which can be awarded to 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 period, the Company had not purchased any of the Company’s existing shares on the market for the purpose of the Share Award Scheme.

On 1 June 2016, HK\$3.2 million was refunded to the Company by the trustee.

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

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the period under review, the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules with the exception of code provisions A.2.1, A.5.1 and E.1.2 of the Code which are explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

### **Code provision A.2.1**

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

### **Code provision A.5.1**

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, the Nomination Committee of the Company (the "Nomination Committee") comprised two Executive Directors and two Independent Non-executive Directors. As such, from 5 February 2016 to 31 July 2016, the Nomination Committee does not comprise a majority of Independent Non-executive Directors as required under code provision A.5.1 of the Code. Following the appointment of Mr. Qu Weimin on 1 August 2016 as an independent non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company, the Company now meets all the requirement under code provision A.5.1 of the Code.

### **Code provision E.1.2**

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting ("AGM"). Mr. Qian Yixiang attended the AGM which was held on 26 May 2016 (the "2015 AGM") by telephone conference due to other business engagements. Mr. Qian Yixiang had appointed Mr. Zhang Huaqiao, a non-Executive Director, as his delegate to chair the 2015 AGM and to answer the questions from shareholders. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company, Mr. Yeung Chi Tat, was also available to answer questions at the 2015 AGM.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code for Directors' securities transactions. Having made specific enquiries by the Company to all Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2016 regarding Directors' securities transactions. The Company has also ensured compliance of its employees who are likely to possess inside information in relation to the Company or its securities in respect of their dealings with the Company's securities.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 June 2016.

## AUDIT COMMITTEE

The Audit Committee of the Company has four members comprising of three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong, Mr. Qu Weimin and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2016 of the Group.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.boerpower.com](http://www.boerpower.com).

The interim report of the Company for the six months ended 30 June 2016 will be dispatched to the shareholders in due course.

## APPRECIATION

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

On behalf of the Board  
**Qian Yixiang**  
Chairman

Hong Kong, 29 August 2016

*As at the date hereof, the Board comprises (i) four executive Directors: Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin and Mr. Qian Zhongming; (ii) one non-executive Director: Mr. Zhang Huaqiao; and (iii) three independent non-executive Directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin.*