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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1685)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- The Group shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management, and put efforts to improve the Group's assets and liabilities structure and cash flow level during the Year 2016. Looking back to the Year 2016, with the adjustment to the operation, management and business model, the collection of the Group's trade receivables continued to perform well and the assets and liabilities structure and operating cash flow level also delivered significant improvement during the Year. The management believes that the Group has gone through the most difficult adjustment cycle and that the Year 2017 will be the good start for the Group to be well-poised for further development.

- As at 31 December 2016, the trade receivables, loans to customer, retention receivables, bills receivable and gross amount due from customers from contract work of the Group amounted to RMB2,581.7 million representing a decrease of RMB1,815.7 million from RMB4,397.4 million as at 31 December 2015.

- As at 31 December 2016, the Group's trade payables and bills payable, and bank loans have recorded a substantial decrease to RMB804.7 million (2015: RMB1,520.8 million) and RMB1,189.5 million (2015: RMB1,851.6 million) respectively.

- As at 31 December 2016, the outstanding contract backlog amounted to approximately RMB1,667.3 million, all of which were orders obtained from non-factoring model.

- As at 27 March 2017, the Group achieved sales amount of approximately RMB202.4 million.

- As at 27 March 2017, the Group received over RMB284.2 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables, bills receivable and gross amount due from customers from contract work as at 31 December 2016.

- In 2016, the Group's revenue amounted to RMB458.3 million, impairment losses for trade and other receivables amounted to RMB718.0 million and loss attributable to equity shareholders of the Company amounted to RMB704.4 million. Both basic and diluted losses per share were RMB94 cents.

The Board of Directors (the "Board") of Boer Power Holdings Limited (the "Company" or "Boer Power") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	4	**458,273**	2,473,646
Cost of sales	4	**(391,170)**	(1,590,704)
Gross profit	4	**67,103**	882,942
Other income	5	**84,317**	118,606
Selling and distribution expenses		**(63,383)**	(79,338)
Administrative and other operating expenses		**(169,504)**	(206,206)
Impairment losses for trade and other receivables		**(718,021)**	(5,641)
(Loss)/profit from operations		**(799,488)**	710,363
Finance costs	6(a)	**(83,081)**	(80,045)
(Loss)/profit before taxation	6	**(882,569)**	630,318
Income tax credit/(expense)	7	**151,624**	(106,494)
(Loss)/profit for the year		**(730,945)**	523,824
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(40,215)**	(16,719)
Other comprehensive income for the year		**(40,215)**	(16,719)
Total comprehensive income for the year		**(771,160)**	507,105

	Note	**2016** *RMB'000*	2015 *RMB'000*
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(704,397)**	519,884
Non-controlling interests		**(26,548)**	3,940
(Loss)/profit for the year		**(730,945)**	523,824
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(744,612)**	503,165
Non-controlling interests		**(26,548)**	3,940
Total comprehensive income for the year		**(771,160)**	507,105
Earnings per share (RMB cents)	9		
Basic		**(94)**	69
Diluted		**(94)**	69

Details of the dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

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

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Amount due to related parties		**450,231**	26,556
Obligation under a finance lease		**47,336**	–
Deferred tax liabilities		**1,770**	16,066
		499,337	42,622
NET ASSETS		**1,348,740**	2,199,605
CAPITAL AND RESERVES			
Share capital		**66,010**	66,010
Reserves		**1,303,257**	2,130,230
Total equity attributable to equity shareholders of the Company		**1,369,267**	2,196,240
Non-controlling interests		**(20,527)**	3,365
TOTAL EQUITY		**1,348,740**	2,199,605

NOTES

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The 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") and accounting principles generally accepted in Hong Kong.

These consolidated financial statements for the year ended 31 December 2016 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme. The 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.

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

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. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues. In 2016 revenues from this customer amounted to approximately RMB47,434,000 (2015: Nil).

(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)

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

	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Depreciation and amortisation included in cost of sales *RMB'000*
Year ended 31 December 2016				
EDS Solutions	**4,955**	**(3,875)**	**1,080**	**41**
iEDS Solutions	**124,255**	**(108,030)**	**16,225**	**1,700**
EE Solutions	**159,787**	**(135,040)**	**24,747**	**7,633**
CSP Business	**169,276**	**(144,225)**	**25,051**	**8,078**
	458,273	**(391,170)**	**67,103**	**17,452**
Year ended 31 December 2015				
EDS Solutions	5,500	(4,245)	1,255	34
iEDS Solutions	1,385,303	(919,542)	465,761	8,505
EE Solutions	880,674	(517,248)	363,426	5,407
CSP Business	202,169	(149,669)	52,500	1,241
	2,473,646	(1,590,704)	882,942	15,187

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

	2016 *RMB'000*	2015 *RMB'000*
Cost of sales	**17,452**	15,187
Administrative expenses	**15,743**	8,867
	33,915	24,054

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

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

5. OTHER INCOME

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

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

6. (LOSS)/PROFIT BEFORE TAXATION

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

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

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

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

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

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

Notes:

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

(ii) No provision has been made for Profits Tax in Hong Kong and Corporate Taxes in Dubai Multi Commodities Centre ("DMCC"), Mexico, Indonesia and Spain as the Group did not earn any income subject to Hong Kong Profits Tax and did not earn any taxable profit subject to DMCC, Mexican, Indonesian and Spanish Corporate Taxes during each of the years ended 31 December 2016 and 2015.

(iii) PRC income tax

Pursuant to the PRC Corporate Income Tax Law and its implementation, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25% except for (a) Boer (Wuxi) Power System Co., Ltd. ("Boer Wuxi"), Boer (Yixing) Power System Co., Ltd.* ("博耳（宜興）電力成套有限公司" or "Boer Yixing") and Boer (Shanghai) Switch Apparatus Co., Ltd.* ("博耳（上海）電器開關有限公司"), which are qualified as High and New Technology Enterprises, and are therefore entitled to a preferential tax rate of 15%; and (b) Boer (Wuxi) Software Technology Limited* ("博耳（無錫）軟件科技有限公司" or "Boer Software") which is a qualified Software Enterprise and is therefore entitled to a preferential tax rate of 12.5% in 2016 and 2015.

(iv) Withholding tax

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

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

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

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

8. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

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

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares

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

9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

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

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

(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, retention receivables directly.

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

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

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

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

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

At 31 December 2016, RMB1,327,325,000 (2015: RMB2,105,235,000) of the Group's trade receivables and loans to customers balance were secured by the Group's customers, as follows:

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

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

11. BANK LOANS

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

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

12. TRADE AND OTHER PAYABLES

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

Bills payable as at 31 December 2015 were secured by pledged bank deposits.

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

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

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

13. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

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

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

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

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

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

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016 prepared by the external auditor of the Company:

Opinion

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

Material uncertainty related to going concern

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

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

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

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

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

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

Business Review

The substantial loss for the year is mainly attributable to the fact that the Group shifted the operation and management focus to reforming the factoring business and restructuring the corporate internal management during the year of 2016. Impacted by the adjustment of the model of the factoring business, certain outstanding contract backlogs of the Group were cancelled or not completed as scheduled. The Group also adopted a conservative strategy for the entering into and execution of new orders during the year under review, resulting in a relatively slow progress in business and unsatisfactory sales revenue for the year. Moreover, the Group has decided to make a provision for doubtful debts of the trade receivables, loans to customers and retention receivables during the year of 2016 due to increased age of trade receivables, which was also one of the major factors leading to the substantial loss for the Group for the year. In 2016, the Group's revenue and net profit for the year was impacted given the slowdown of business expansion due to the inevitable impact from the adjustment of operation focus. The Group, however, stepped up efforts in collection of trade receivables and made attempts to cooperate with third party capital investors, including the strategic cooperation with certain partners such as China Great Wall Asset Management Corporation* (長城資產管理有限公司) and Jiangsu Financial Leasing Co., Ltd.* (江蘇金融租賃股份有限公司), thereby further settling and revitalizing outstanding trade receivables. During the year, the settlement of trade receivables continued to perform well whereas trade payables and bank loans significantly reduced, which significantly improved the asset and liabilities structure and cash flow level of the Group. As at 31 December 2016, the trade receivables, loans to customers, retention receivables, bills receivables and gross amount due from customers from contract work of the Group amounted to RMB2,581,711,000, representing a decrease of RMB41.3% from RMB4,397,363,000 as at 31 December 2015.

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

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

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

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

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

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

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

* *for identification purposes only*

On the basis of maintaining good cooperation with existing long-term customers and having the advantage of key industry sector, the Group seized the development opportunities of the photovoltaic market in China, promoted the development of photovoltaic business and made its first attempt of the new business model "Build-Transfer". During the year, the Group reached strategic cooperation with Shanghai Industrial Investment (Holdings) Co., Ltd* (上海實業(集團)有限公司) ("Shanghai Industrial") in relation with the development, investment and construction of photovoltaic power stations and rooftop distributed power stations with total installed capacity of 100MW in the PRC and the sales of the same to Shanghai Galaxy Investment Co., Ltd (上海星河數碼投資有限公司) ("Shanghai Galaxy") upon construction as well as the provision of operation and maintenance services. In addition, Shanghai Galaxy intends to acquire the majority of photovoltaic power station assets held by the Group at a consideration of RMB200-300 million, of which the acquisition of 20MW photovoltaic power station of Gannan Longyang was completed in November 2016 and the acquisition of remaining photovoltaic power station assets is progressing orderly. Coincidentally, the Group also entered into a strategic cooperation agreement with AVIC International Renewable Energy Co., Ltd (中航國際新能源發展有限公司) ("AVIC International") in relation to the proposed cooperation for the business of development, investment, construction, operation and maintenance of photovoltaic power station.

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

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

* *for identification purposes only*

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

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

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

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

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

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

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

Operation and Financial Review

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

EDS Solutions

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

The total sales of EDS Solutions of the Group for the year ended 31 December 2016 amounted to approximately RMB4,955,000 (2015: approximately RMB5,500,000), representing approximately 1.2% (2015: approximately 0.2%) of the Group's total revenue for the year. A decrease in sales of EDS Solutions of 9.9% was recorded and the gross profit of this business segment was approximately RMB1,080,000 (2015: approximately RMB1,255,000), representing a decrease of 13.9% as compared to that of 2015.

The gross profit margin of EDS Solutions segment decreased from 22.8% for 2015 to 21.8% for the year.

iEDS Solutions

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

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

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

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

The total sales of iEDS Solutions of the Group for the year ended 31 December 2016 was approximately RMB124,255,000 (2015: approximately RMB1,385,330,000), which accounted for approximately 27.1% (2015: approximately 56.0%) of the Group's total revenue for the year. The decrease in the sales of iEDS Solutions was 91.0% for the year ended 31 December 2016. This is mainly due to the Group's reforming the factoring business. The relevant contracts were reviewed and renegotiated which resulted in unexecuted and incompleted contracts. The gross profit of this business segment was approximately RMB16,225,000 (2015: approximately RMB465,761,000), representing a decrease of 96.5% as compared to that of 2015.

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

EE Solutions

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

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

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

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

The total sales of EE Solutions of the Group for the year ended 31 December 2016 was approximately RMB159,787,000 (2015: approximately RMB880,674,000), which accounted for approximately 34.8% (2015: approximately 35.6%) of the Group's total revenue for the year. This is mainly due to the Group's reforming the factoring business. The relevant contracts were reviewed and negotiated which resulted in unexecuted and incompleted contracts. The gross profit of this business segment was approximately RMB24,747,000 (2015: approximately RMB363,426,000), representing a decrease of 93.2% as compared to that of 2015.

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

CSP Business

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

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

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

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

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

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

PROSPECT

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

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

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

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

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

Liquidity and Financial Resources

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

Assets/Liabilities Turnover Ratio

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

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

Going Concern Basis

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

Contingent Liabilities

As at 31 December 2016, the Group did not have any contingent liabilities.

Financial Management Policies

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

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

Significant Investment Held, Material Acquisition and Disposal

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2016.

Employees and Remuneration Policy

The Group had 1,404 (2015: 1,366) employees as at 31 December 2016. The total staff costs for the year under review were approximately RMB140 million (2015: approximately RMB150 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

Principal Risks and Uncertainties

1. *Market risks*

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

2. *Commercial risks*

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

3. *Operational risks*

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

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

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

Environmental Policies and Performance

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

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

Relationship with Employees

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

Relationship with Suppliers and Customers

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

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

Compliance with Laws and Regulations

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to commit to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable laws and regulations. Based on information available, the directors take the view that during the year ended 31 December 2016, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Use of Proceeds from the Global Offering

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

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

	Proceeds from global offering		**Used up to 31 December 2016**	**Unused balance**
	RMB'000	*Percentage*	*RMB'000*	*RMB'000*
Expanding the upstream component production capability	266,637	25%	266,637	–
Expanding the downstream sales channel and market segment in China	373,291	35%	373,291	–
Payment of outstanding balance of the consideration in relation to the construction and completion of the Luoshe Town new plant	159,982	15%	79,431	80,551
Purchase of equipment in the Luoshe Town new plant	85,324	8%	6,693	78,631
Purchase of equipment and software in providing more efficient EE Solutions	74,658	7%	74,658	–
Working capital and other general corporate purposes	106,655	10%	106,000	655
	1,066,547	100%	906,710	159,837

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

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

It was stated in the section headed "Future Plans and Use of Proceeds" in the listing prospectus of the Company dated 7 October 2010 (the "Prospectus") that the Company intended to use approximately 35% of the net proceeds received from the global offering for setting up new companies or acquisition of companies in the electrical distribution business to expand the downstream sales channel and market segment. Since the listing of the Company on the Main Board of the Stock Exchange on 20 October 2010, the Company has incurred approximately RMB373 million for expanding the downstream sales channel and market segment in China mainly by setting up a new division, purchasing land and research and development of new products in its existing subsidiary, instead of simply setting up new companies or carrying out acquisition. The Company considers that the use of such RMB373 million is in line with the strategy and future plans of the Group to expand the downstream sales channel and market segment in China and does not constitute a material change to the use of proceeds as set out in the Prospectus. The Company also considers that it is beneficial to and in the interest of the shareholders of the Company to apply such proceeds to expand downstream sales channel and market segment.

DIVIDEND

The forthcoming annual general meeting of the Company will be held on 1 June 2017.

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2016 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 25 May 2017.

SHARE OPTION SCHEME

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

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

Grant of Options to connected persons or any of their associates

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

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

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

The Company did not have any outstanding option at the beginning and at the end of the year. During the year ended 31 December 2016, no options have been granted under the Share Option Scheme.

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

SHARE AWARD SCHEME

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

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

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

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and complied with most of the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year, with the exception of code provisions A.2.1 and A.5.1 (in respect of the period since 5 February 2016 to 31 July 2016 only) 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 the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Qian Yixiang is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of its long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. During the year ended 31 December 2016, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code provision A.5.1

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

Rule 3.10(1) and Rule 3.10A of the Listing Rules

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, from 5 February to 31 July 2016, the Company only had two Independent Non-executive Directors which falls below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of Independent Non-executive Directors did not represent one-third of the Board as required under Rule 3.10A of the Listing Rules. Following the appointment of Mr. Qu Weimin on 1 August 2016 as an Independent Non-executive Director and a member of each of audit, remuneration and nomination committees of the Company, the Company now meets all the requirement under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

Rule 3.25 of the Listing Rules

Following the resignation of Mr. Zhao Jianfeng on 5 February 2016, the Remuneration Committee comprised two Executive Directors and two Independent Non-executive Directors. As such, from 5 February 2016 to 31 July 2016, the Remuneration Committee did not comprise a majority of Independent Non-executive Directors as required under Rule 3.25 of the Listing Rules. Following the appointment of Mr. Qu Weimin on 1 August 2016 as an Independent Non-executive Director and a member of each audit, remuneration and nomination committees of the Company, the Company now meets all the requirements under Rule 3.25 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 December 2016.

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 price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the year ended 31 December 2016.

AUDIT COMMITTEE

As at 31 December 2016, the Audit Committee of the Company (the "Audit Committee") has four members comprising of three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (Chairman of the Audit Committee), Mr. Tang Jianrong and Mr. Qu Weimin and one Non-executive Director, Mr. Zhang Huaqiao. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results for the year ended 31 December 2016 of the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.boerpower.com.

The annual report of the Company for year ended 31 December 2016 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

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

By order of the Board
Qian Yixiang
Chairman

Hong Kong, 28 March 2017

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