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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

### HIGHLIGHTS

- During the year, the Group continued to strengthen its internal control and strive to improve the Group's assets and liabilities structure and cash flow level. The collection of trade receivables remained sound with significant decrease in finance cost. With the satisfactory sales performance, the revenue was picking up. Net cash outflows was significant improved during the year compared to that of 2016.
- Revenue increased by 65.6% to approximately RMB758.7 million.
- Revenue from sales of Intelligent Electrical Distribution System Solutions increased by 155.5% to approximately RMB317.5 million which represented 41.8% of total revenue.
- Revenue from sales of Energy Efficiency Solutions increased by 58.9% to approximately RMB254.0 million which represented 33.5% of total revenue.
- Revenue from Components and Spare Parts Business increased by 10.1% to approximately RMB186.3 million which represented 24.6% of total revenue.
- Revenue from sales of Electrical Distribution System Solutions decreased by 81.3% to approximately RMB0.9 million which represented 0.1% of total revenue.
- The gross profit margin of the Group was 21.7%, representing an increase of 7.1% as compared to the gross profit margin of 14.6% of 2016.
- Loss attributable to equity shareholders of the Company decreased to RMB221.0 million (2016: loss attributable to equity shareholders of the Company of RMB704.4 million).
- As at 25 March 2018, the Group received over RMB241.6 million from customers for settlement of outstanding trade receivables, loans to customers, retention receivables and bills receivable as at 31 December 2017.

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 2017, 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 2017*
*(Expressed in Renminbi)*

| | Note | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| **Revenue** | 4 | **758,671** | 458,273 |
| Cost of sales | 4 | **(593,771)** | (391,170) |
| **Gross profit** | 4 | **164,900** | 67,103 |
| Other income | 5 | **36,556** | 84,317 |
| Selling and distribution expenses | | **(59,905)** | (63,383) |
| Administrative and other operating expenses | | **(113,802)** | (169,504) |
| Impairment losses for trade and other receivables | | **(230,000)** | (718,021) |
| **Loss from operations** | | **(202,251)** | (799,488) |
| Finance costs | 6(a) | **(53,716)** | (83,081) |
| **Loss before taxation** | 6 | **(255,967)** | (882,569) |
| Income tax credit | 7 | **32,478** | 151,624 |
| **Loss for the year** | | **(223,489)** | (730,945) |
| **Other comprehensive income for the year** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of operations outside Mainland China | | **49,574** | (40,215) |
| **Other comprehensive income for the year** | | **49,574** | (40,215) |
| **Total comprehensive income for the year** | | **(173,915)** | (771,160) |

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Loss attributable to:** | | | |
| Equity shareholders of the Company | | **(220,974)** | (704,397) |
| Non-controlling interests | | **(2,515)** | (26,548) |
| **Loss for the year** | | **(223,489)** | (730,945) |
| **Total comprehensive income attributable to:** | | | |
| Equity shareholders of the Company | | **(171,400)** | (744,612) |
| Non-controlling interests | | **(2,515)** | (26,548) |
| **Total comprehensive income for the year** | | **(173,915)** | (771,160) |
| **Loss per share (RMB cents)** | 9 | | |
| Basic | | **(29)** | (94) |
| Diluted | | **(29)** | (94) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*
*(Expressed in Renminbi)*

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

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 11 | **63,000** | – |
| Amounts due to related parties | | **–** | 450,231 |
| Obligations under finance leases | | **86,930** | 47,336 |
| Deferred tax liabilities | | **1,629** | 1,770 |
| | | **151,559** | 499,337 |
| **NET ASSETS** | | **1,188,246** | 1,348,740 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **66,010** | 66,010 |
| Reserves | | **1,131,857** | 1,303,257 |
| **Total equity attributable to equity shareholders of the Company** | | **1,197,867** | 1,369,267 |
| **Non-controlling interests** | | **(9,621)** | (20,527) |
| **TOTAL EQUITY** | | **1,188,246** | 1,348,740 |

## 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

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

These consolidated financial statements for the year ended 31 December 2017 comprise the Company, its subsidiaries and a trust established for the Group's share award scheme.

The functional currency of the Company is Hong Kong dollars ("HK$"). 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 2017, the Group recorded a loss of RMB223,489,000 (2016: loss of RMB730,945,000). In addition, the Group faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience in net operating cash outflows. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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 in 2016 for general working capital purposes. The loans are unsecured, non-interest bearing and repayable on demand. As at 31 December 2017, the Group's unused loans facilities was RMB714,348,000;

(ii) as at 31 December 2017, the unused bank loans facilities were RMB48,000,000 for providing additional working capital of the Group;

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

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

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

3. **CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative,* which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

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

For the year ended 31 December 2017, there was no customer with whom transactions have exceeded 10% of the Group's revenues. For the year ended 31 December 2016, there was one such customer and revenues from this customer amounted to approximately RMB47,434,000.

### (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)

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

| | **Revenue** *RMB'000* | **Cost of sales** *RMB'000* | **Gross profit** *RMB'000* | **Depreciation and amortisation included in cost of sales** *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| EDS Solutions | **925** | **(809)** | **116** | **36** |
| iEDS Solutions | **317,464** | **(246,290)** | **71,174** | **4,176** |
| EE Solutions | **253,957** | **(195,912)** | **58,045** | **7,987** |
| CSP Business | **186,325** | **(150,760)** | **35,565** | **8,885** |
| | **758,671** | **(593,771)** | **164,900** | **21,084** |

| | Revenue *RMB'000* | Cost of sales *RMB'000* | Gross profit *RMB'000* | Depreciation and amortisation included in cost of sales *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | |
| EDS Solutions | 4,955 | (3,875) | 1,080 | 41 |
| iEDS Solutions | 124,255 | (108,030) | 16,225 | 1,700 |
| EE Solutions | 159,787 | (135,040) | 24,747 | 7,633 |
| CSP Business | 169,276 | (144,225) | 25,051 | 8,078 |
| | 458,273 | (391,170) | 67,103 | 17,452 |

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

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

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

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

## 5. OTHER INCOME

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

^ Pursuant to the VAT law implemented by the State Administration of Taxation in the PRC, taxpayers selling self-developed software products are required to pay VAT at the rate of 17% but are entitled to a VAT refund of the portion of VAT actually paid which exceeds 3%. Refund of VAT is recognised by the Group when the amount is received from the relevant tax authority.

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

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

## 6. LOSS BEFORE TAXATION

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

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

# Cost of inventories includes RMB51,519,000 (2016: RMB50,452,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and (c) for each of these types of expenses.

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

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

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

*Notes:*

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

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

(iii) PRC income tax

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

(iv) Withholding tax

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

## 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. No dividends withholding tax was recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year.

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

## 8. DIVIDENDS

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

## 9. LOSS PER SHARE

### (a) Basic loss per share

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

*Weighted average number of ordinary shares*

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

### (b) Diluted loss per share

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

## 10. TRADE AND OTHER RECEIVABLES

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

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

Loans to customers of RMB345,290,000 (2016: RMB482,157,000) were made for settlement of their outstanding amounts to the banks on behalf of its customers under the factoring arrangements. The directors are of the opinion that trade receivables, loans to customers and retention receivables at 31 December 2017 that is expected to be settled after one year is RMB614,292,000 (2016: RMB974,719,000). Apart from those mentioned above, all of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

At 31 December 2017, the Group had endorsed and derecognised bank acceptance bills totalling RMB37,759,000 (2016: RMB246,716,000). These derecognised bank acceptance bills were endorsed to suppliers and had a maturity date of less than twelve months from the end of the reporting period. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

### (a) Ageing analysis

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

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

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

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

At 31 December 2017, trade receivables, loans to customers and retention receivables of RMB1,378,840,000 (2016: RMB1,680,964,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB930,072,000 (2016: RMB706,245,000) were recognised.

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

All these receivables were collectively determined to be impaired. At 31 December 2017, there were no receivables that were past due but not impaired and allowances for doubtful debts resulting from the collective assessment amounted to RMB42,259,000 (2016: RMB36,503,000).

## 11. BORROWINGS

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

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

## 12. TRADE AND OTHER PAYABLES

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

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

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

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

## 13. FINANCIAL GUARANTEE ISSUED

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

## 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 2017 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 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which discloses that the Group recorded a loss of RMB223,489,000 for the year (2016: loss of RMB730,945,000). The Group has faced longer average trade receivables turnover days than its average trade payables turnover days which consequently may result in net operating cash outflows in the next twelve months. As stated in that note, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ongoing support from the Group's controlling shareholders and other related parties, the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

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

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

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

### Business Review

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

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

– Energy Efficiency Solutions ("EE Solutions");

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Operation and Financial Review**

*EDS Solutions*

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

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

The gross profit margin of EDS Solutions segment decreased from 21.8% for 2016 to 12.5% for the year.

*iEDS Solutions*

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

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

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

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

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

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

*EE Solutions*

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

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

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

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

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

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

*CSP Business*

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

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

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

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

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

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

## PROSPECT

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

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

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

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

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

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

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

**Liquidity and Financial Resources**

The Group's principal financial instruments comprise cash and cash equivalents, time deposits with original maturity over three months, trade and other receivables, trade and other payables, amount due to related parties, obligation under finance leases and borrowings. As at 31 December 2017, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately RMB16 million (31 December 2016: approximately RMB28 million), approximately RMB612 million (31 December 2016: approximately RMB1,210 million) and approximately RMB1,340 million (31 December 2016: approximately RMB1,848 million) respectively. As at 31 December 2017, the Group had borrowings amounting to approximately RMB1,027 million (31 December 2016: approximately RMB1,190 million). Such cash and cash equivalents and borrowings are denominated in RMB. The Group's gearing ratio, which was expressed as a ratio of borrowings over total equity, was 86.4% as at 31 December 2017 (31 December 2016: 88.2%).

**Assets/Liabilities Turnover Ratio**

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

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

**Going Concern Basis**

During the year ended 31 December 2017, the Group recorded a loss of RMB223,489,000 (31 December 2016: loss of RMB730,945,000). In addition, the Group has faced longer average trade receivables turnover days than its average trade payables turnover days which increases the risk that in the next twelve months the Group may experience in net operating cash outflows. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The 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. Details of the going concern basis have been set out in note 2 to the Group's consolidated financial statements.

**Contingent Liabilities**

Save as disclosed in note 13 to the Group's consolidated financial information, as at 31 December 2017, the Group did not have any contingent liabilities.

**Financial Management Polices**

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

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

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

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2017.

**Employees and Remuneration Policy**

The Group had 1,016 (31 December 2016: 1,404) employees as at 31 December 2017. The total staff costs for the year under review were approximately RMB120 million (2016: approximately RMB140 million). The remuneration policy was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

**Principle 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. 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 the above approaches, we hope to increase the amount of business from our existing customers and our reach for new potential clients.

## Compliance with Laws and Regulations

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

## Use of Proceeds from 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 2017** | **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 subsidiaries, instead of simply setting up new companies or carrying out acquisition. The Company considers that the use of such RMB373 million is in line with the strategy and future plans of the Group to expand the downstream sales channel and market segment in China and does not constitute a material change to the use of proceeds as set out in the Prospectus. The Company also considers that it is beneficial to and in the interest of the shareholders of the Company to apply such proceeds to expand downstream sales channel and market segment.

## DIVIDEND

The forthcoming annual general meeting of the Company will be held on 31 May 2018.

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

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the 2017 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 Friday, 25 May 2018.

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

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

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

As at the date of 2016 annual report and this annual report, the total number of shares available for issue pursuant to the Share Option Scheme was 75,000,000, representing about 9.69% of the issued share capital of the Company.

## SHARE AWARD SCHEME

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

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

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

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

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

As at the date of 2016 annual report and this annual report, the trustee held 24,343,000 shares under the Share Award Scheme, representing about 3.15% of the issued share capital of the Company.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

## 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 Listing Rules during the year, with the exception of code provisions A.2.1 which is 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 2017, there were three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## 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 2017.

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 2017.

## AUDIT COMMITTEE

As at 31 December 2017, 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 2017 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 2017 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, 27 March 2018

*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.*