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VPower Group International Holdings Limited

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

KEY HIGHLIGHTS

- Revenue significantly increased 70.4% to HK\$2,050.3 million. Among which, revenue from SI business was HK\$1,409.2 million and revenue from IBO business was HK\$641.1 million, representing a growth of 104.6% and 24.6% respectively.
- Gross profit increased 23.2% to HK\$489.3 million.
- EBITDA increased 59.9% to HK\$571.4 million.
- Profit attributable to the owners of the Company increased 84.5% to HK\$263.3 million.
- The Board declared an interim dividend of HK1.51 cents per share, representing a growth of 174.5% as compared to the interim dividend of last year.
- Despite challenges posed by COVID-19 pandemic, the business and operation of the Group remained resilient and the Group is well on track to achieve the target of reaching a 1,900MW total installed capacity of its project portfolio (including projects under our joint venture) by the end of 2020.
- The Group, through a joint venture, successfully diversified LNG-to-power and developed a comprehensive commercial and operational platform to support the use of LNG.

The board of directors (the “**Board**”) of VPower Group International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020, together with comparative figures of the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	2,050,318	1,203,442
Cost of sales		<u>(1,561,013)</u>	<u>(806,401)</u>
Gross profit		489,305	397,041
Other income and gains	4	88,247	8,411
Selling and distribution expenses		(17,798)	(10,725)
Administrative expenses		(167,731)	(117,590)
Other expenses, net		(1,000)	—
Finance costs		(107,647)	(117,711)
Share of profits or losses from joint ventures		<u>23,329</u>	<u>(2,618)</u>
PROFIT BEFORE TAX	5	306,705	156,808
Income tax	6	<u>(41,165)</u>	<u>(14,125)</u>
PROFIT FOR THE PERIOD		<u>265,540</u>	<u>142,683</u>
Attributable to:			
Owners of the Company		263,336	142,688
Non-controlling interests		<u>2,204</u>	<u>(5)</u>
		<u>265,540</u>	<u>142,683</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK10.32 cents</u>	<u>HK5.60 cents</u>
Diluted		<u>HK10.32 cents</u>	<u>HK5.60 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	265,540	142,683
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of hedging instruments arising during the period	(15,685)	—
Reclassification adjustments included in the consolidated statement of profit or loss	1,541	—
	<u>(14,144)</u>	<u>—</u>
Exchange differences on translation of foreign operations	<u>(112,021)</u>	<u>181</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(126,165)</u>	<u>181</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>139,375</u></u>	<u><u>142,864</u></u>
Attributable to:		
Owners of the Company	137,171	142,922
Non-controlling interests	<u>2,204</u>	<u>(58)</u>
	<u><u>139,375</u></u>	<u><u>142,864</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,750,926	3,761,021
Investment property		23,600	24,600
Right-of-use assets		17,114	18,290
Goodwill		81,489	81,489
Other intangible assets		89,572	94,151
Interests in joint ventures		898,070	853,047
Deposits and other receivables		129,332	147,347
Deferred tax assets		17,538	15,333
		<u>5,007,641</u>	<u>4,995,278</u>
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		1,130,457	885,860
Trade and bills receivables	10	836,648	1,225,632
Prepayments, deposits, other receivables and other assets		894,563	639,129
Due from related companies		96	96
Derivative financial instruments		5,320	589
Tax recoverable		12,480	19,734
Restricted cash		67,925	81,635
Pledged deposits		33,891	62,200
Cash and cash equivalents		921,272	772,439
		<u>3,902,652</u>	<u>3,687,314</u>
Assets held for sales		45,343	268,680
		<u>3,947,995</u>	<u>3,955,994</u>
TOTAL current assets			
CURRENT LIABILITIES			
Trade and bills payables	11	928,407	739,105
Other payables and accruals		724,541	805,306
Contract liabilities		231,097	122,868
Derivative financial instruments		14,338	194
Senior notes		26,845	17,724
Interest-bearing bank and other borrowings		1,436,748	1,782,557
Lease liabilities		9,478	10,434
Tax payable		50,233	18,219
Provision for restoration		5,344	4,174
		<u>3,427,031</u>	<u>3,500,581</u>
TOTAL current liabilities			
NET CURRENT ASSETS		<u>520,964</u>	<u>455,413</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,528,605</u>	<u>5,450,691</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2020*

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables		249,612	329,235
Senior notes		752,981	764,395
Interest-bearing bank and other borrowings		1,523,776	1,449,704
Lease liabilities		7,279	7,148
Provision for restoration		19,544	22,826
Deferred tax liabilities		19,962	18,747
		<u>2,573,154</u>	<u>2,592,055</u>
Total non-current liabilities		<u>2,573,154</u>	<u>2,592,055</u>
Net assets		<u>2,955,451</u>	<u>2,858,636</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	256,323	256,228
Reserves		<u>2,660,131</u>	<u>2,565,615</u>
		2,916,454	2,821,843
Non-controlling interests		<u>38,997</u>	<u>36,793</u>
Total equity		<u>2,955,451</u>	<u>2,858,636</u>

NOTES:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Units 2701–05, 27/F, Office Tower 1, The Harbourfront, 18–22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

During the six months ended 30 June 2020, the Group was principally engaged in the design, integration, sale and installation of engine-based electricity generation units and the provision of distributed power solutions, including the design, investment in, building and operation of distributed power generation stations.

In the opinion of the directors, the immediate holding company of the Company is Energy Garden Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Sunpower Global Limited, a company also incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether

an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the system integration (“**SI**”) segment designs, integrates, sells and installs engine-based electricity generation units; and
- (b) the investment, building and operating (“**I**BO”) segment designs, invests in, builds and operates distributed power generation stations to provide distributed power solutions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains from the Group's derivative financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, amounts due from related companies, derivative financial instruments, tax recoverable, restricted cash, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, senior notes, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 30 June 2020 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,409,235	641,083	2,050,318
Intersegment sales	<u>23,595</u>	<u>—</u>	<u>23,595</u>
	1,432,830	641,083	2,073,913
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(23,595)</u>
Revenue			<u><u>2,050,318</u></u>
Segment results	214,396	223,052	437,448
<i>Reconciliation:</i>			
Elimination of intersegment results			(553)
Bank interest income			2,071
Corporate and unallocated expenses, net			(24,614)
Finance costs			<u>(107,647)</u>
Profit before tax			<u><u>306,705</u></u>
Segment assets	1,568,689	5,092,353	6,661,042
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>2,294,594</u>
Total assets			<u><u>8,955,636</u></u>
Segment liabilities	1,154,740	953,347	2,108,087
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>3,892,098</u>
Total liabilities			<u><u>6,000,185</u></u>

For the six months ended 30 June 2019 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	688,758	514,684	1,203,442
Intersegment sales	<u>2,546</u>	<u>—</u>	<u>2,546</u>
	691,304	514,684	1,205,988
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(2,546)</u>
Revenue			<u><u>1,203,442</u></u>
Segment results	123,627	195,309	318,936
<i>Reconciliation:</i>			
Elimination of intersegment results			(59)
Bank interest income			703
Corporate and unallocated expenses, net			(45,061)
Finance costs			<u>(117,711)</u>
Profit before tax			<u><u>156,808</u></u>
Year ended 31 December 2019 (audited)			
Segment assets	1,884,140	5,171,750	7,055,890
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,895,382</u>
Total assets			<u><u>8,951,272</u></u>
Segment liabilities	1,042,067	991,843	2,033,910
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>4,058,726</u>
Total liabilities			<u><u>6,092,636</u></u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Hong Kong and Mainland China	662,025	119,863
Asian countries	1,064,526	746,709
Latin America	295,131	214,186
Other countries	<u>28,636</u>	<u>122,684</u>
	<u>2,050,318</u>	<u>1,203,442</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	Hong Kong and Mainland China	1,077,025
Asian countries	2,534,527	2,445,391
Latin America	1,236,279	1,344,251
Other countries	<u>142,243</u>	<u>147,800</u>
	<u>4,990,074</u>	<u>4,977,670</u>

The non-current asset information above is reported based on the locations of the assets and excludes deferred tax assets and financial assets.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

For the six months ended 30 June 2020 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>1,409,235</u>	<u>641,083</u>	<u>2,050,318</u>

For the six months ended 30 June 2019 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>688,758</u>	<u>514,684</u>	<u>1,203,442</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other income		
Bank interest income	2,071	703
Loan interest income	—	941
Consultancy income	61,924	—
Government grants*	2,093	1,329
Others	<u>3,738</u>	<u>1,390</u>
	<u>69,826</u>	<u>4,363</u>
Gains		
Foreign exchange difference, net	131	3,759
Reversal of impairment of trade receivables	—	289
Fair value gain on derivative financial instruments	4,731	—
Gain on disposal of items of property, plant and equipment, net	<u>13,559</u>	<u>—</u>
	<u>18,421</u>	<u>4,048</u>
	<u>88,247</u>	<u>8,411</u>

* A subsidiary was qualified as a high-and-new technology enterprise in the People's Republic of China ("PRC") and it received various related government grants. There were no unfulfilled conditions or contingencies relating to these grants received during the reporting period.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment*	148,689	76,410
Depreciation of right-of-use assets	6,916	4,950
Amortisation of intangible assets	1,439	1,426
Fair value loss on an investment property [#]	1,000	—
Reversal of impairment of trade receivables	—	(289)
Equity-settled share-based payment expense	11,897	415

* The cost of sales for the period included depreciation charges of HK\$123,728,000 (six months ended 30 June 2019: HK\$71,332,000).

[#] Included in "Other expenses, net" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	28,783	3,666
Current — Elsewhere		
Charge for the period	17,030	9,009
Overprovision in prior periods	(3,833)	—
Deferred	(815)	1,450
Total tax charge for the period	41,165	14,125

7. DIVIDENDS

Six months ended 30 June	
2020	2019
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Dividend recognised as distribution during the reporting period:

Final dividend for the year ended 31 December 2019:

HK2.20 cents (year ended 31 December 2018: HK0.48 cent)
per ordinary share

<u>56,370</u>	<u>12,239</u>
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Dividend declared after the end of the reporting period:

Interim dividend for the six months ended 30 June 2020:

HK1.51 cents (six months ended 30 June 2019: HK0.55 cent)
per ordinary share

<u>39,959</u>	<u>14,092</u>
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Declaration of the interim dividend of HK1.51 cents per ordinary share in respect of the six months ended 30 June 2020 was approved by the board of directors on 25 August 2020. The interim dividend of HK0.55 cent per ordinary share in respect of the six months ended 30 June 2019 was approved by the board of directors on 30 August 2019.

The final dividend of HK2.20 cents per ordinary share in respect of the year ended 31 December 2019 was approved by the Company's shareholders at the annual general meeting held on 29 June 2020. The final dividend of HK0.48 cent per ordinary share in respect of year ended 31 December 2018 was approved by the Company's shareholders at the annual general meeting held on 3 June 2019.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$263,336,000 (six months ended 30 June 2019: HK\$142,688,000) and the weighted average number of ordinary shares of 2,550,498,000 (six months ended 30 June 2019: 2,549,786,000) in issue during the period, as adjusted to exclude the shares held under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$263,336,000 (six months ended 30 June 2019: HK\$142,688,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,550,498,000 (six months ended 30 June 2019: 2,549,786,000) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,112,000 (six months ended 30 June 2019: 1,213,000) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment of HK\$179,563,000 (six months ended 30 June 2019: HK\$736,717,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2019: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade and bills receivables	840,807	1,229,791
Impairment	<u>(4,159)</u>	<u>(4,159)</u>
	<u>836,648</u>	<u>1,225,632</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods range from 30 to 365 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 30 days	269,223	615,840
31 to 60 days	163,836	205,806
61 to 90 days	71,213	47,735
91 to 180 days	59,483	68,878
181 to 360 days	79,300	86,804
Over 360 days	<u>193,593</u>	<u>200,569</u>
	<u>836,648</u>	<u>1,225,632</u>

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	344,600	267,325
1 to 2 months	156,976	208,882
2 to 3 months	100,268	97,768
Over 3 months	<u>326,563</u>	<u>165,130</u>
	<u>928,407</u>	<u>739,105</u>

The trade payables are non-interest-bearing and are normally settled on terms with credit period ranging from 30 to 360 days.

12. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,563,232,000 (31 December 2019: 2,562,284,000) ordinary shares of HK\$0.1 each	<u>256,323</u>	<u>256,228</u>

A summary of movements in the Company's issued share capital is as follows:

		Number of ordinary shares	Nominal value of ordinary shares HK\$'000
At 1 January 2019		2,562,074,000	256,207
Share options exercised	<i>Note</i>	<u>210,000</u>	<u>21</u>
At 31 December 2019 and 1 January 2020		2,562,284,000	256,228
Share options exercised	<i>Note</i>	<u>948,000</u>	<u>95</u>
At 30 June 2020		<u>2,563,232,000</u>	<u>256,323</u>

Note:

In the six months ended 30 June 2020, share options with rights to subscribe for 948,000 (31 December 2019: 210,000) shares were exercised at the subscription price of HK\$2.016 per share, resulting in the issue of 948,000 (31 December 2019: 210,000) ordinary shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$1,911,000 (31 December 2019: HK\$423,000). An amount of HK\$1,233,000 (31 December 2019: HK\$259,000) was transferred from the share options reserve to the share premium account upon the exercise of the share options.

13. EVENTS AFTER THE REPORTING PERIOD

On 14 July 2020, the Company, Energy Garden Limited, a controlling shareholder of the Company, and two placing agents entered into the placing and subscription agreement, pursuant to which (i) Energy Garden Limited agreed to appoint the placing agents, and the placing agents agreed to procure not less than six placees to purchase up to 83,000,000 placing shares at the placing price of HK\$3.75 (the “**Placing**”) on a best efforts basis; and (ii) Energy Garden Limited agreed to subscribe for the same number of new shares as the placing shares that had been placed under the Placing at the placing price (the “**Subscription**”). The completion of the Placing and the Subscription in respect of 83,000,000 shares of the Company took place on 17 July 2020 and 23 July 2020, respectively.

The Company has received net proceeds from the Subscription of approximately HK\$294.9 million which are intended to be used primarily for the investment in CNTIC VPower Group Holdings Limited (a 50% owned joint venture of the Group) and other new IBO projects in the pipeline, debt repayment and as general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2020, the unexpected outbreak of the COVID-19 pandemic had taken countless lives and made the world suffering widespread disruptions in social and economic activities. Like almost all industries globally, the energy industry was also affected by this crisis. There had been some unpredicted incidents including the halt in production and operations of many businesses which reduced the overall demand for electricity and the postponement and cancellation of major events that shrank the need for temporary power. An unprecedented collapse in oil demand and a crash in oil prices also surprised the global energy industry. As all governments and enterprises focused on bringing the pandemic under control, the investments in energy industry, particularly clean technologies, slowed down as compared to market forecast.

Meanwhile, the pandemic heightened the challenges brought by energy deficiency in emerging and developing countries. On the frontline of the battle against the pandemic, energy for households, health centres and hospitals is critical. Reliable power supply ensures that core systems of health programmes can function effectively. However, there are still countries where electrification is low, national grid is unreliable and people do not have continuous or stable access to electricity.

Business Review

In response to the COVID-19 outbreak, we have implemented a comprehensive range of precautionary measures including work-from-home arrangement, flexible working hours and stringent hygienic practices to protect the health and wellbeing of our people and other stakeholders in addition to complying with the mandatory containment measures against COVID-19. Besides, we responded quickly to ensure sufficient supplies of personal protection equipment to the workforce at the power stations. Thanks to our professional employees and the cooperation of suppliers, customers and contractors, we are able to ensure the safety of our employees and contractors while at the same time keep our daily operation in satisfying the electricity needed by our clients during the pandemic. We also support the local communities where we operate to fight against the pandemic by making donations to the communities, hospitals and government authorities.

To manage the potential impact of COVID-19 on our business and operation, we have taken a series of steps and will continue to refine our strategy and action plan. For instance, since the early stage of the pandemic, we were mindful of the possible disruption in the global supply chain and we correspondingly responded by increasing our inventory of equipment and parts based on our projection of needs.

As we specialise in providing distributed power solutions to the countries in need of fast-track and flexible electricity, our business remained resilient during the period of turbulence as, unlike the large scale centralised power plants which are more subject to adverse effect of the macro slow-down of industrial activities, our end users are relatively more confined and defined in terms of power usage.

Despite some challenges to the supply chain and logistics to our business and 3-week shutdown of our assembly factory in China, we continued to record a solid revenue and net profit growth in the first half of 2020.

System Integration (“SI”) Business

Building on our success in the global SI market, we continued to provide our customers with reliable and cost-competitive power generation sets and systems. Revenue of SI segment for the six months ended 30 June 2020 was approximately HK\$1,409.2 million (six months ended 30 June 2019: HK\$688.8 million), representing a growth of 104.6%. The growth was mainly attributable to sales to the distributed power market, data centres and marine market.

Invest, Build and Operate (“IBO”) Business

The IBO business segment continued to be our focus of business development in the first half of the year. We strategically expanded our market share in existing IBO markets, in particular, Myanmar and Sri Lanka. The revenue of IBO segment for the six months ended 30 June 2020 grew 24.6% to HK\$641.1 million (six months ended 30 June 2019: HK\$514.7 million). The growth was primarily attributable to the increased revenue from projects in Myanmar and revenue contribution of the new project in Brazil, and partially offset by an off-hired project in Indonesia.

In the first half of the year, we focused on materialising new projects in our pipeline. Despite challenges posed by the pandemic, we managed to commission new projects in four countries, including 23.2MW Kyun Chaung Project in Myanmar, 38.8MW Galle and Pallekele Project in Sri Lanka, 6.5MW Muko Project in Indonesia and part of the 70.3MW Amazonas State Project in Brazil as of the date of this announcement.

We continued to customise the distributed power solutions to cater for the different needs of our customers while promoting the use of natural gas which is the cleanest fossil fuel available. Considering liquefied natural gas (LNG)’s advantage in transportation, we have spent time and resources to explore the logistics and treatment of LNG for distributed power generation since 2016. As a result, we were able to compete in and enter into the LNG-to-power market to expand the scope of our power generation solution by participating and winning the project tenders in Myanmar last year. We partnered with China National Technical Import and Export Corporation (“CNTIC”) (a wholly-owned subsidiary of China General Technology (Group) Holding Company Limited which is under direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China) to develop three awarded projects in Myanmar where we have developed a leading position in the power generation industry. A 50:50 joint venture company was established, details of which are discussed in the next section under the heading “Myanmar Joint Venture”. We believe such partnership is an optimal project ownership structure in executing large-scale projects in order to fully leverage the respective operational and financial strengths of both parties.

Myanmar Joint Venture

We and CNTIC formed a joint venture company CNTIC VPower Group Holdings Limited (“**CNTIC VPower**”) for the development and operation of three power generation projects in Myanmar, namely 477.1MW Thaketa Project, 410.2MW Thanlyin Project and 172.2MW Kyauk Phyu III Project (collectively the “**Joint Venture Projects**”). Three respective power purchase agreements were entered into between the project companies of CNTIC VPower and Electric Power Generation Enterprise of the Ministry of Electricity and Energy of Myanmar in June 2020, and the Joint Venture Projects started generating electricity to the people of Myanmar in June 2020.

In addition to the efficient and flexible engine-based power generation technology, CNTIC VPower has developed a comprehensive setup and platform to support LNG sourcing, imports, logistics, storage and regasification which form part of the first LNG-to-power project of Myanmar.

Tamar VPower Energy Fund I, L.P. (the “Fund”)

We joined hands with CITIC Pacific Limited, one of China’s largest conglomerates to explore the opportunities in the energy sector in countries along the Belt and Road Initiative through Tamar VPower Energy Fund I, L.P. in 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. During the first half of the year, the Group received distribution of approximately HK\$61.2 million from the Fund.

Project Portfolio

The following table shows the distributed power projects of the Group and CNTIC VPower in operation as of the date of this announcement:

Projects of the Group	Installed capacity (MW)⁽¹⁾	Contract length (months)⁽²⁾
Indonesia		
Teluk Lembu I	20.3	12
Teluk Lembu II	65.8	60
Jambi	56.4	60
Rengat	20.3	36
Muko	6.5	36
Subtotal	<u>169.3</u>	
Myanmar		
Kyauk Phyu I	49.9	60
Kyauk Phyu II	49.9	60
Myingyan I ⁽³⁾	149.8	60
Myingyan II	109.7	60
Yangon	4.7	48
Kyun Chaung	23.2	24
Subtotal	<u>387.2</u>	
Latin America		
Iquitos ⁽⁴⁾	79.8	240
Amazonas State ⁽⁵⁾	70.3	60–180
Subtotal	<u>150.1</u>	
China		
Shandong I	8.2	180
Shandong II ⁽⁶⁾	6.2	180
Subtotal	<u>14.4</u>	
Sri Lanka		
Hambantota	28.1	6
Horana	26.8	6
Galle and Pallekele	38.8	6
Subtotal	<u>93.7</u>	
Total	<u><u>814.7</u></u>	
Projects of CNTIC VPower		
Thaketa	477.1	60
Thanlyin	410.2	60
Kyauk Phyu III	172.2	60
Total	<u><u>1,059.5</u></u>	
Total installed capacity	<u><u>1,874.2</u></u>	

Notes:

- (1) Installed capacity refers to the maximum power generating capacity of the distributed power station based on an aggregate capacity of power generation systems installed.
- (2) Contract length refers to the term of the contract entered into by the Group in respect of the distributed power projects.
- (3) It includes the installed capacity of a distributed power station located in Magway, Myanmar.
- (4) The Group holds 51% equity interest of the project company that owns and operates the Iquitos Project.
- (5) The Amazonas State Project consists of five power stations, three of which have commenced commercial operation in early 2020 and the Group targets to achieve commence commercial operation of the remaining ones in the second half of 2020.
- (6) The Shandong II project is generating electricity now but at the same time undergoing a technical upgrade to enhance its overall plant performance.

The following table shows the projects in our pipeline, for which we have either won a public tender or entered into a binding contract for operation or acquisition, and have commenced activities and committed resources in their planning and development, as of the date of this announcement:

Country	Planned installed capacity (MW)
Sri Lanka	120.8
Indonesia	18.7
United Kingdom	<u>152.3</u>
Total	<u><u>291.8</u></u>

In addition to the projects in our pipeline, as of the date of this announcement, we have projects with approximately 250MW planned installed capacity under advanced stage of negotiation in Sri Lanka, Myanmar, Indonesia and the United Kingdom.

Outlook

As a result of COVID-19, there continues to be significant uncertainty in the macro-economic conditions. Furthermore, recent global developments and uncertainty in oil price outlook have caused further volatility in commodity markets. It is expected that the current negative sentiments will continue until vaccine becomes available.

Taking into consideration the global economic performance and evolution of the pandemic, International Monetary Fund lowered its global growth forecast in June 2020, predicting global output to shrink by 4.9% this year and grow at 5.4% in 2021. Among which, China and emerging countries in Asia are expected to suffer the least economic downturn in 2020 but lead the global growth in 2021. Beyond pandemic-related downside risks, escalating tensions between the United States and China on

multiple fronts and widespread social unrest pose additional challenges to the global economy. During this challenging period, we will continue to place the health and safety of our people and other stakeholders at top priority in every move of our operation and business development.

Reliable electricity supply plays a crucial role in safeguarding public health and securing global economic recovery. There are strong public demand and governments' policy support for energy transition to reach a cleaner economy. Nevertheless, the energy sector may continue to experience short-term impact caused by the outbreak of COVID-19 such as supply chain interruptions affecting the availability of equipment and parts in the development and maintenance of energy infrastructure, and delay in renewable projects owing to insufficient capital investment and equipment.

From the business development perspective, we are confident in the long-term development of distributed energy, in particular the use of LNG in fast-track power generation. The successful expansion into LNG-to-power market through CNTIC VPower is a milestone of our business development which not only evidences our capability in offering such complex solution on an expedited manner but also lays the foundation for us to capture the growing LNG-to-power and LNG-related markets. We continue to have a positive view on LNG-to-power market in Southeast Asia given the fuel availability, reliability and environmental impact. Given we are one of the pioneers in fast track integrated LNG-to-power generation in Southeast Asia and the strong desire of low carbon and distributed power generation in the region, we are well equipped to take on more opportunities in this area in the post COVID-19 era.

In the first half of the year, we are well on track to reach our year-end target of 1,900MW of total installed capacity of the Group's project portfolio (including the projects under joint venture). Our joint venture, CNTIC VPower, was already contributing profits in the first half of the year. In the second half of the year, we expect it will have a full six-month contribution to us.

In the second half of the year, we will continue to materialize our projects in the pipeline. In Sri Lanka, we announced in August 2020 that a new project with planned installed capacity of 120.8MW was secured. The project is expected to commence commercial operation by the end of the year. Together with our existing projects in operation, our total installed capacity in the country will reach over 200MW, evidencing the success of replicating our marketing strategy in gaining market share.

Financially, we will continue to explore ways to strengthen our capitals to maintain corporate sustainability in the long run. Looking forward, we will continue to prioritise our resources for the best return and formulate appropriate business strategy and structure for each market and project through synergistic investment, mutual beneficial partnership and/or project level collaboration with different partners.

The COVID-19 pandemic may well turn out to be the most tragic and disruptive event that most of us will ever live through. We believe our solid business foundation and concrete plans to manage the impacts of COVID-19 will help us maintain stable performance in such challenging socio-economic conditions. At all times, we are committed to ensuring the reliability of the electricity supply to the people in need, upholding the highest integrity in the health and safety of our operation, and striving for the best benefits for all of our stakeholders.

Financial Review

Revenue

The revenue of the Group was mainly derived from: (i) SI business by providing gen-sets and power generation systems to customers; and (ii) IBO business based on the actual amount of electricity that we deliver to the off-takers, as well as the contract capacity we make available to the off-takers.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
SI	1,409,235	688,758
IBO	<u>641,083</u>	<u>514,684</u>
Total	<u><u>2,050,318</u></u>	<u><u>1,203,442</u></u>

In the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$2,050.3 million, representing an increase of 70.4% as compared with approximately HK\$1,203.4 million of the corresponding period in 2019. The increase in revenue was mainly due to the growth of both business segments. Please refer to the paragraph headed “Business Review” for the increase in revenue.

Revenue by geographical locations

The table below sets forth a revenue breakdown for our SI business by geographical markets for the period indicated, both in actual amounts and as a percentage of total revenue:

	Six months ended 30 June			
	2020		2019	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Hong Kong and Mainland China	649,105	31.6	110,190	9.1
Other Asian countries ⁽¹⁾	731,495	35.7	455,885	37.9
Other countries	<u>28,635</u>	<u>1.4</u>	<u>122,683</u>	<u>10.2</u>
Total	<u><u>1,409,235</u></u>	<u><u>68.7</u></u>	<u><u>688,758</u></u>	<u><u>57.2</u></u>

Note:

(1) Other Asian countries include Singapore, South Korea, Indonesia, United Arab Emirates and Myanmar.

The table below sets forth a revenue breakdown for our IBO business by geographical markets for the period indicated, both in actual amounts and as a percentage of total revenue:

	Six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Myanmar	273,851	13.4	214,786	17.8
Peru	222,006	10.8	214,186	17.8
Brazil	73,125	3.6	—	—
Indonesia	43,381	2.1	73,850	6.2
Sri Lanka	15,800	0.8	2,188	0.2
Mainland China	12,920	0.6	9,674	0.8
Total	<u>641,083</u>	<u>31.3</u>	<u>514,684</u>	<u>42.8</u>

Cost of sales

Under our SI business, our cost of sales mainly consists of cost of goods sold and services provided, staff costs and depreciation. We use engines, radiators, alternators, other parts and ancillary equipment to produce gen-sets and power generation systems. Under our IBO business, our cost of sales mainly includes depreciation and operating expenses. We engage contractors for labour outsourcing.

Cost of sales of the Group was approximately HK\$1,561.0 million for the six months ended 30 June 2020, representing an increase of HK\$754.6 million as compared with approximately HK\$806.4 million of the corresponding period in 2019. The increase was due to the growth of our SI and IBO businesses and the higher depreciation charged on the power generation assets of the IBO projects in Indonesia.

Gross profit and gross profit margin

	Six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	<i>gross profit margin %</i>	<i>HK\$'000</i>	<i>gross profit margin %</i>
SI	247,645	17.6	158,166	23.0
IBO	241,660	37.7	238,875	46.4
Total	<u>489,305</u>	<u>23.9</u>	<u>397,041</u>	<u>33.0</u>

Gross profit of the Group was approximately HK\$489.3 million for the six months ended 30 June 2020, representing an increase of 23.2% as compared with approximately HK\$397.0 million of the corresponding period in 2019. Gross profit margin for the six months ended 30 June 2020 decreased to 23.9% from 33.0% for the six months ended 30 June 2019 which was mainly attributable to the growth of SI business with lower gross profit margin than IBO business, the increase in pass-through fuel cost in IBO business and the relatively lower gross profit margin of the IBO projects in Indonesia.

Profit before tax

Profit before tax for the six months ended 30 June 2020 was approximately HK\$306.7 million, representing an increase of 95.6% as compared with approximately HK\$156.8 million of the corresponding period in 2019. The increase was mainly due to the growth of SI business, increase in other income and gains and increase in share of profits of joint ventures which was partially offset by increase in administrative expenses.

Other income and gains

In the six months ended 30 June 2020, other income and gains of the Group amounted to approximately HK\$88.2 million, representing an increase of 950.0% as compared with approximately HK\$8.4 million of the corresponding period in 2019. The increase was mainly attributable to a consultancy income and gain on disposal of items of property, plant and equipment, net recognised during the six months ended 30 June 2020.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of costs for transportation and traveling expenses, commission expense, insurance expense, staff costs and others. The selling and distribution expenses of the Group increased by 66.4% from approximately HK\$10.7 million for the six months ended 30 June 2019 to HK\$17.8 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in transportation expenses.

Administrative expenses

Administrative expenses primarily consist of administrative service fees, staff costs, legal and other professional fees, insurance expenses, and office and other expenses. Office and other expenses include bank charges, advertising, exhibition and related promotion expenses and headquarter expenses.

In the six months ended 30 June 2020, administrative expenses of the Group were approximately HK\$167.7 million, representing an increase of 42.6% as compared with that of HK\$117.6 million in the corresponding period of 2019. The increase was mainly due to increase in the expenses incurred for the development of new projects (such as increase in headcounts and opening of new offices) and increase in research and development cost.

Other expenses, net

In the six months ended 30 June 2020, other expenses, net of the Group primarily consisted of fair value loss on an investment property.

Finance costs

Finance costs of the Group primarily consist of interest and other finance costs on letters of credit, bank loans and overdrafts, notional interest on other payables and interest on finance leases and other borrowings. In the six months ended 30 June 2020, finance costs were approximately HK\$107.6 million, which represented a decrease of 8.6% as compared with that of approximately HK\$117.7 million in the corresponding period of 2019. The decrease was primarily due to the decrease in the interest-bearing bank and other borrowings amount and the lower average borrowing interest rate.

Income tax expense

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In the six months ended 30 June 2020, income tax expense was approximately HK\$41.2 million, representing an increase of 192.2% as compared with that of approximately HK\$14.1 million in the corresponding period of 2019, and our effective tax rate was 13.4% and 9.0% for the six months ended 30 June 2020 and 2019, respectively. Both increases were primarily due to the increase in tax expense incurred in Hong Kong in the six months ended 30 June 2020.

Profit Attributable to Owners and Earnings per Share

In six months ended 30 June 2020, profit attributable to owners of the Company was approximately HK\$263.3 million, representing an increase of approximately HK\$120.6 million or approximately 84.5% as compared with that of approximately HK\$142.7 million in the corresponding period of 2019.

Basic earnings per share for the six months ended 30 June 2020 were HK10.32 cents as compared with that of HK5.6 cents in the corresponding period of 2019.

Liquidity, Financial and Capital Resources

As at 30 June 2020, total current assets of the Group amounted to approximately HK\$3,948.0 million (31 December 2019: HK\$3,956.0 million). In terms of financial resources as at 30 June 2020, cash and cash equivalents of the Group were approximately HK\$921.3 million (31 December 2019: HK\$772.4 million).

As at 30 June 2020, total bank and other borrowings and senior notes of the Group amounted to approximately HK\$3,740.4 million (31 December 2019: HK\$4,014.4 million), representing a decrease of approximately 6.8% as compared to that of 31 December 2019. The Group's bank and other borrowings include short term loans with 1-year maturity and term loans with maturity within 3 years. As at 30 June 2020, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars, Euro and Peruvian sol ("PEN") were approximately HK\$3,263.2 million (31 December 2019: HK\$3,656.7 million), HK\$373.2 million (31 December 2019: HK\$287.5 million), approximately HK\$76.0 million (31 December 2019: HK\$66.0 million) and approximately HK\$28.0 million (31 December 2019: nil), respectively. As at 31 December 2019, the Group also had bank and other borrowings denominated in Great British Pound ("GBP") amounting to approximately HK\$4.2 million.

In June 2020, the Group had drawn a new unsecured US\$40 million 30-month term loan facility to refinance bank loans maturing in 2020 and 2021. The increase in cash and cash equivalents was mainly due to the Group's internally generated cash flows from operation and cash drawn under the aforesaid term loan facility.

As at 30 June 2020, the Group's current ratio was 1.2 (31 December 2019: 1.1). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 67.0% (31 December 2019: 68.1%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 63.1% (31 December 2019: 64.4%). The Group's net gearing ratio, which is calculated as a percentage of total interest-bearing bank and other borrowings and senior notes less cash and cash equivalents, pledged deposits and restricted cash to shareholders' equity was approximately 91.9% (31 December 2019: 108.4%). The net gearing ratio, adjusted by excluding the senior notes issued by the non-wholly owned subsidiary which are non-recourse to the Company and any other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 67.9% (31 December 2019: 83.9%).

Charge of Assets

As at 30 June 2020, the Group had charged certain property, plant and equipment with a net book value of approximately HK\$56.0 million (31 December 2019: HK\$59.8 million) and pledged deposits of HK\$33.9 million (31 December 2019: HK\$62.2 million) to certain banks and a finance leasing company to secure bank and other borrowings; and the equity interest in a 51% owned subsidiary with the total asset value of approximately HK\$794.6 million (31 December 2019: HK\$814.1 million) and restricted cash of HK\$67.9 million (31 December 2019: HK\$81.6 million) as security for the senior notes issuance of such subsidiary.

Exposure on Foreign Exchange Fluctuations

The Group's revenue and payments are mainly in U.S. dollars, Brazilian Real (“**BRL**”), Indonesian Rupiah (“**IDR**”), Renminbi (“**RMB**”), Euro, Myanmar Kyat (“**MMK**”), PEN and GBP. The impact of such difference would translate into our exposure to any particular currency fluctuations during the period. The Group has a hedging policy to manage such risks and costs associated with currency fluctuations.

The Group is exposed to foreign exchange risk through sales and purchase that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, BRL, IDR, RMB, MMK, PEN and GBP. A majority of the Group's purchases are either in Euro or U.S. dollar. During the six months ended 30 June 2020, the Group entered into currency forward contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely follow the hedging policy and monitor its overall foreign exchange exposure from time to time to minimize the relevant exposures.

As market conditions continue to evolve, the Group's Investment Committee will continue to closely monitor the currency risk and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

Capital Expenditures

For the six months ended 30 June 2020, the Group invested approximately HK\$179.6 million (31 December 2019: HK\$1,363.9 million) in property, plant and equipment of which HK\$179.1 million (31 December 2019: HK\$1,359.9 million) mainly for IBO projects relate to distributed power stations located in Myanmar, Brazil, Sri Lanka and Indonesia.

MATERIAL ACQUISITION AND DISPOSAL

The Group and CNTIC partnered to bid for three power projects in Myanmar and won the bid in the second half of 2019. CNTIC VPower, held as to 50% by each party, was then set up for the projects in early 2020. On 18 May 2020, members of the Group and the CNTIC group entered into a shareholders' agreement pursuant to which the Group agreed to, among other things, make capital contribution of US\$90 million (approximately HK\$702 million) in aggregate to CNTIC VPower by way of equity or loan. For details of the shareholders' agreement and CNTIC VPower, please refer to the announcement of the Company published on 18 May 2020.

EMPLOYEES

As at 30 June 2020, the Group had 559 employees (31 December 2019: 466). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the state-sponsored pension scheme operated by the PRC Government for the PRC employees. The Group has share option schemes and a share award scheme to motivate valued employees. For the six months ended 30 June 2020, the Group provided internal and external training (e.g. orientation training, on-the-job training, product training and site safety training) to enrich the knowledge and skills of employees.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK1.51 cents per share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 11 September 2020. It is expected that the interim dividend will be distributed on or before Friday, 25 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend, the register of members of the Company will be closed during the period from Wednesday, 9 September 2020 to Friday, 11 September 2020 (both days inclusive), during which period no transfer of share(s) of the Company will be effected. In order to qualify for the interim dividend, all transfer document(s), accompanied by the relevant share certificate(s), 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, for registration not later than 4:30 p.m. on Tuesday, 8 September 2020.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company had complied with all code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 its own code of conduct regarding directors' securities transactions. Having made specific enquiry, the Company confirms that the directors of the Company complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with the management of the Company, the accounting principles and practices adopted by the Group; discussed internal controls and risk management; and financial reporting matters in August 2020 including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2020.

APPRECIATION

We would like to take this opportunity to send our gratitude to our shareholders, customers, suppliers and partners for their continuous support and confidence to the Group and express our appreciation to our executives and staff for their dedication and contribution during the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's corporate website at www.vpower.com under "Investors" and the HKEXnews at www.hkexnews.hk under "Listed Company Information". It is expected that the 2020 Interim Report will be despatched to shareholders of the Company and posted at the aforesaid websites in September 2020.

By Order of the Board
VPower Group International Holdings Limited
Lam Yee Chun
Executive Chairman

Hong Kong, 25 August 2020

As at the date hereof, the Board comprises Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Mr. Au-Yeung Tai Hong Rorce and Mr. Lo Siu Yuen as executive directors; Ms. Chan Mei Wan and Mr. Kwok Man Leung as non-executive directors; and Mr. David Tsoi, Mr. Yeung Wai Fai Andrew and Mr. Suen Wai Yu as independent non-executive directors.