

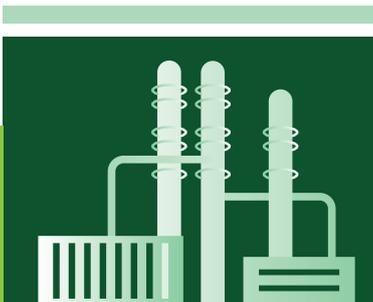
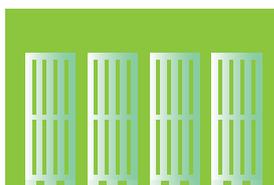


VPower Group International Holdings Limited
偉能集團國際控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1608

INTERIM REPORT 2020



COMPANY PROFILE

VPower Group International Holdings Limited (the “Company”, or together with its subsidiaries, the “Group”) is one of the world’s leading large gen-set system integration providers and one of the leading gas-fired engine-based distributed power generation (“DPG”) station owners and operators in Asia, with more than 20 years of proven operational excellence in the energy market.

We deliver much-in-demand electricity to keep industries running and power the regional economic growth through (1) designing, integrating and selling gen-sets and power generation systems that primarily run on natural gas or diesel; and (2) designing, investing in, building and operating DPG stations for off-takers. Together, they make up our two principal business segments: (1) System Integration (“SI”) business; and (2) Investment, Building and Operating (“IBO”) business. Our fast-track power solutions generate stable and reliable electricity for our customers in emerging markets to improve their power supply and living standards; as well as provide flexible and efficient electricity to our customers in developed markets to supplement the increasing use of renewable energy due to power reform.

Our core strategy is to build on our successful IBO business in existing markets, and tap into new regions leveraging our multi-country platform and replicable business model; expand into combined heat and power and power generation using new forms of fuel; develop a new generation of gen-sets that are more fuel efficient and establish joint ventures to enhance our technological leadership and grow our business.

We seek to build on our proprietary system designs and integration capabilities and the market network developed over the past 20 years to effectively manage the risks and improve the efficiency of our IBO business’s expansion into new markets, and to continue to deliver efficient solutions and build long term value for our shareholders, our partners and our customers.

We power the world, and light up possibilities.

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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 report.

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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Project Portfolio

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

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

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 report:

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

In addition to the projects in our pipeline, as of the date of this report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 HK\$'000	2019 HK\$'000
SI	1,409,235	688,758
IBO	641,083	514,684
Total	2,050,318	1,203,442

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		2019	
	2020 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	28,635	1.4	122,683	10.2
Total	1,409,235	68.7	688,758	57.2

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
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	641,083	31.3	514,684	42.8

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	
	HK\$'000	gross profit margin %	HK\$'000	gross profit margin %
SI	247,645	17.6	158,166	23.0
IBO	241,660	37.7	238,875	46.4
Total	489,305	23.9	397,041	33.0

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 People's Republic of China (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 and/or loan capital. 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	2,050,318	1,203,442
Cost of sales		(1,561,013)	(806,401)
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		23,329	(2,618)
PROFIT BEFORE TAX	5	306,705	156,808
Income tax	6	(41,165)	(14,125)
PROFIT FOR THE PERIOD		265,540	142,683
Attributable to:			
Owners of the Company		263,336	142,688
Non-controlling interests		2,204	(5)
		265,540	142,683
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK10.32 cents	HK5.60 cents
Diluted		HK10.32 cents	HK5.60 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) 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	—
	(14,144)	—
Exchange differences on translation of foreign operations	(112,021)	181
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(126,165)	181
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	139,375	142,864
Attributable to:		
Owners of the Company	137,171	142,922
Non-controlling interests	2,204	(58)
	139,375	142,864

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	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	10	898,070	853,047
Deposits and other receivables		129,332	147,347
Deferred tax assets		17,538	15,333
Total non-current assets		5,007,641	4,995,278
CURRENT ASSETS			
Inventories		1,130,457	885,860
Trade and bills receivables	11	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
Assets held for sales	18	3,902,652	3,687,314
		45,343	268,680
Total current assets		3,947,995	3,955,994
CURRENT LIABILITIES			
Trade and bills payables	12	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	13	26,845	17,724
Interest-bearing bank and other borrowings	14	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
Total current liabilities		3,427,031	3,500,581
NET CURRENT ASSETS		520,964	455,413
TOTAL ASSETS LESS CURRENT LIABILITIES		5,528,605	5,450,691

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payables		249,612	329,235
Senior notes	13	752,981	764,395
Interest-bearing bank and other borrowings	14	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
Total non-current liabilities		2,573,154	2,592,055
Net assets		2,955,451	2,858,636
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	256,323	256,228
Reserves		2,660,131	2,565,615
Non-controlling interests		2,916,454	2,821,843
		38,997	36,793
Total equity		2,955,451	2,858,636

Lam Yee Chun
Director

Au-Yeung Tai Hong Rorce
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Note	Share capital HK\$'000	Share premium account HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Shares held under the share award scheme HK\$'000	Asset revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Statutory reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2019		256,207	1,511,548	(15,458)	147,749	4,895	(58,122)	17,062	—	21,088	(17,173)	702,404	2,570,200	46,154	2,616,354
Effect of adoption of HKFRS 16		—	—	—	—	—	—	—	—	—	—	(457)	(457)	—	(457)
At 1 January 2019 (restated) (unaudited)		256,207	1,511,548	(15,458)	147,749	4,895	(58,122)	17,062	—	21,088	(17,173)	701,947	2,569,743	46,154	2,615,897
Profit for the period		—	—	—	—	—	—	—	—	—	—	142,688	142,688	(5)	142,683
Other comprehensive income for the period:															
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	—	234	—	234	(53)	181
Total comprehensive income for the period		—	—	—	—	—	—	—	—	—	234	142,688	142,922	(58)	142,864
2018 final dividend	7	—	—	—	—	—	—	—	—	—	—	(12,239)	(12,239)	—	(12,239)
Acquisition of non-controlling interests		—	—	—	(763)	—	—	—	—	—	—	—	(763)	(8,015)	(8,778)
Issue of shares upon exercise of share option		16	489	—	—	(190)	—	—	—	—	—	—	315	—	315
Equity-settled share option arrangement		—	—	—	—	415	—	—	—	—	—	—	415	—	415
At 30 June 2019 (Unaudited)		256,223	1,512,037	(15,458)	146,986	5,120	(58,122)	17,062	—	21,088	(16,939)	832,396	2,700,393	38,081	2,738,474
At 1 January 2020		256,228	1,512,209	(15,458)	146,985	5,411	(58,122)	17,062	(194)	25,962	(22,610)	954,370	2,821,843	36,793	2,858,636
Profit for the period		—	—	—	—	—	—	—	—	—	—	263,336	263,336	2,204	265,540
Other comprehensive income/ (loss) for the period:															
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	—	(112,021)	—	(112,021)	—	(112,021)
Cash flow hedge:															
Changes in fair value of hedging instruments arising during the period		—	—	—	—	—	—	—	(15,685)	—	—	—	(15,685)	—	(15,685)
Reclassification adjustments included in the consolidated statement of profit or loss		—	—	—	—	—	—	—	1,541	—	—	—	1,541	—	1,541
Total comprehensive income for the period		—	—	—	—	—	—	—	(14,144)	—	(112,021)	263,336	137,171	2,204	139,375
2019 final dividend	7	—	—	—	—	—	—	—	—	—	—	(56,370)	(56,370)	—	(56,370)
Issue of shares upon exercise of share option		95	3,050	—	—	(1,233)	—	—	—	—	—	—	1,912	—	1,912
Equity-settled share-based payment arrangements		—	—	—	—	—	23,618	—	—	—	—	(11,720)	11,898	—	11,898
At 30 June 2020 (Unaudited)		256,323	1,515,259*	(15,458)*	146,985*	4,178*	(34,504)*	17,062*	(14,338)*	25,962*	(134,631)*	1,149,616*	2,916,454	38,997	2,955,451

* These reserve accounts comprise the consolidated reserves of HK\$2,660,131,000 (31 December 2019: HK\$2,565,615,000) in the consolidated statement of financial position as at 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash flows from operating activities	560,946	98,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(84,254)	(13,782)
Decrease/(increase) in deposits paid for purchases of property, plant and equipment	49,275	(134,623)
Decrease in pledged deposits	27,276	42,364
Investment in joint ventures	(21,694)	(17,777)
Advance to joint ventures	(262,045)	—
Proceeds from disposal of items of property, plant and equipment	237,070	—
Others	4,742	(30,976)
Net cash flows used in investing activities	(49,630)	(154,794)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	1,546,013	2,164,000
Repayment of bank borrowings	(1,832,515)	(1,708,596)
Others	(89,906)	(112,063)
Net cash flows from/(used in) financing activities	(376,408)	343,341
NET INCREASE IN CASH AND CASH EQUIVALENTS	134,908	286,616
Cash and cash equivalents at beginning of period	854,074	541,353
Effect of foreign exchange rate changes, net	215	(4,580)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	989,197	823,389
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	989,197	823,389

NOTES TO FINANCIAL STATEMENTS

30 June 2020

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

2. Basis of Preparation (Continued)

Changes in Accounting Policies and Disclosures (Continued)

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 (“IBO”) 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

3. Operating Segment Information (Continued)

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	23,595	—	23,595
	1,432,830	641,083	2,073,913
<i>Reconciliation:</i>			
Elimination of intersegment sales			(23,595)
Revenue			2,050,318
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			(107,647)
Profit before tax			306,705
Segment assets	1,568,689	5,092,353	6,661,042
<i>Reconciliation:</i>			
Corporate and unallocated assets			2,294,594
Total assets			8,955,636
Segment liabilities	1,154,740	953,347	2,108,087
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			3,892,098
Total liabilities			6,000,185
Other segment information:			
Gain on disposal of items of property plant and equipment, net	(16)	(13,543)	(13,559)
Depreciation of property, plant and equipment*	3,738	144,133	147,871
Depreciation of right-of-use assets	5,974	942	6,916
Amortisation of intangible assets	—	1,439	1,439
Capital expenditure	501	179,062	179,563

* Depreciation excludes depreciation charges of HK\$818,000 for corporate assets.

3. Operating Segment Information (Continued)**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	2,546	—	2,546
	691,304	514,684	1,205,988
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,546)
Revenue			1,203,442
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			(117,711)
Profit before tax			156,808
Other segment information:			
Reversal of impairment of trade receivables	(289)	—	(289)
Depreciation of property, plant and equipment*	3,167	72,425	75,592
Depreciation of right-of-use assets	4,259	691	4,950
Amortisation of intangible assets	—	1,426	1,426
Capital expenditure	2,820	733,897	736,717
Year ended 31 December 2019 (audited)			
Segment assets	1,884,140	5,171,750	7,055,890
<i>Reconciliation:</i>			
Corporate and unallocated assets			1,895,382
Total assets			8,951,272
Segment liabilities	1,042,067	991,843	2,033,910
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			4,058,726
Total liabilities			6,092,636

* Depreciation excludes depreciation charges of HK\$818,000 for corporate assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

3. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(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	28,636	122,684
	2,050,318	1,203,442

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

(b) Non-current assets

	As at	As at
	30 June	31 December
	2020	2019
	(Unaudited) HK\$'000	(Audited) HK\$'000
Hong Kong and Mainland China	1,077,025	1,040,228
Asian countries	2,534,527	2,445,391
Latin America	1,236,279	1,344,251
Other countries	142,243	147,800
	4,990,074	4,977,670

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:

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2020 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Type of goods or services			
Sale of engine-based electricity generation units	1,408,210	—	1,408,210
Construction services	1,025	—	1,025
Provision of distributed power solutions	—	641,083	641,083
Total revenue from contracts with customers	1,409,235	641,083	2,050,318
Timing of revenue recognition			
Goods transferred at a point in time	1,408,210	—	1,408,210
Services transferred over time	1,025	641,083	642,108
Total revenue from contracts with customers	1,409,235	641,083	2,050,318

For the six months ended 30 June 2019 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Type of goods or services			
Sale of engine-based electricity generation units	688,446	—	688,446
Construction services	312	—	312
Provision of distributed power solutions	—	514,684	514,684
Total revenue from contracts with customers	688,758	514,684	1,203,442
Timing of revenue recognition			
Goods transferred at a point in time	688,446	—	688,446
Services transferred over time	312	514,684	514,996
Total revenue from contracts with customers	688,758	514,684	1,203,442

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

4. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of engine-based electricity generation units	51,012	4,537

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of engine-based electricity generation units

The performance obligation is satisfied upon completion of installation of the engine-based electricity generation units and payment is generally due within 30 to 360 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of construction and customer acceptance. Retention receivables, which ranges from one to two years from the date of the completion of the construction are classified as contract assets.

Provision of distributed power solutions

The performance obligation is satisfied over time when the energy is produced and delivered to the customer in accordance with the contractual arrangements and payment is due within 300 days after the issuance of invoice.

4. Revenue, Other Income and Gains (Continued)

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	3,738	1,390
	69,826	4,363
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	13,559	—
	18,421	4,048
	88,247	8,411

* A subsidiary was qualified as a high-and-new technology enterprise in Mainland China and it received various related government grants. There were no unfulfilled conditions or contingencies relating to these grants received during the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

5. Profit Before Tax

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) 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 (Unaudited) HK\$'000	2019 (Unaudited) 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 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
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	56,370	12,239
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	39,959	14,092

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 of the Company (the “**Board**”) 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

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. Interests in Joint Ventures

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets	898,070	853,047

On 18 May 2020, the respective members of the Group and the CNTIC group entered into a shareholders' agreement in respect of CNTIC VPower pursuant to which the Group agreed to, among other things, make capital contribution of US\$90,000,000 (equivalent to HK\$702,000,000) in aggregate to CNTIC VPower by way of equity and/or loan capital. CNTIC VPower is indirectly owned as to 50% by each of the Group and the CNTIC group. As at 30 June 2020, the Company has invested approximately HK\$78,000,000 in CNTIC VPower by way of equity capital.

In January 2018, the Company and CITIC Pacific Limited ("**CITIC Pacific**") through their respective subsidiaries, agreed to establish Tamar VPower Energy Fund I, L.P. (the "**Fund**"). Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly-owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Group has committed an aggregate amount of US\$105,000,000 (equivalent to HK\$819,000,000) to subscribe for interest in the Fund through its indirect wholly-owned subsidiary and the special limited partner of the Fund. As at 30 June 2020, the Group invested approximately HK\$783,367,000 (31 December 2019: HK\$778,448,000). During the reporting period, the Group received distribution of approximately HK\$61,225,000 from the Fund (for the six months ended 30 June 2019: Nil).

11. 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	(4,159)	(4,159)
	836,648	1,225,632

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 360 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 aging analysis of the trade and bills receivables as at the end of the 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	193,593	200,569
	836,648	1,225,632

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

12. Trade and Bills Payables

An aging 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	326,563	165,130
	928,407	739,105

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

13. Senior Notes

In February 2018, a subsidiary of the Company, Genrent del Peru S.A.C., issued senior notes (the “**Senior Notes**”) with a face value of US\$106,500,000 (equivalent to HK\$830,700,000) and interest at a rate of 5.88% per annum, which are repayable semi-annually in February and August each year with maturity in February 2037, unless redeemed earlier. The Senior Notes are secured by, among other things, (i) the assets of such subsidiary, which must remain free of any other lien until maturity; (ii) the equity interest in such subsidiary held by its shareholders; and (iii) a fiduciary trust which was constituted on certain bank collection accounts of such subsidiary, deposit in which amounted to US\$8,708,000 (equivalent to approximately HK\$67,925,000) and US\$10,466,000 (equivalent to approximately HK\$81,635,000) as at 30 June 2020 and 31 December 2019, respectively.

14. Interest-Bearing Bank and Other Borrowings

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current		
Bank overdrafts — unsecured	—	4,237
Portions of bank loans due for repayment within one year or on demand — unsecured	1,377,467	1,651,028
Portions of bank loans due for repayment after one year which contain repayment on demand clause — unsecured	18,593	98,230
Other borrowings — secured	40,688	29,062
	1,436,748	1,782,557
Non-current		
Portions of bank loans due for repayment after one year — unsecured	1,385,438	1,299,741
Other borrowings — secured	138,338	149,963
	1,523,776	1,449,704
	2,960,524	3,232,261

15. 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	500,000	500,000
Issued and fully paid:		
2,563,232,000 (31 December 2019: 2,562,284,000) ordinary shares of HK\$0.1 each	256,323	256,228

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

15. Share Capital (Continued)

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>	210,000	21
At 31 December 2019 and 1 January 2020		2,562,284,000	256,228
Share options exercised	<i>Note</i>	948,000	95
At 30 June 2020		2,563,232,000	256,323

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.

Share options and share awards

Details of the Company's share option schemes and the share options issued under the schemes and the Company's share award scheme are included in notes 16 and 17 to the financial statements, respectively.

16. Share Option Schemes

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") (collectively, the "Schemes") on 24 October 2016 for the purpose of providing incentives and rewards to eligible participants, comprising directors, employees, advisers, consultants and business partners of the Group, for their contribution and aligning the corporate objectives and interests between the Group and its talents. The Schemes became effective on 24 November 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from 24 October 2016.

The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme; and (ii) the exercise price and the exercise period of the share options are different.

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

16. Share Option Schemes (Continued)

The following share options under the Pre-IPO Share Option Scheme were outstanding during the period/year:

	Six months ended 30 June 2020		Year ended 31 December 2019	
	Weighted average exercise price per share HK\$	Number of ordinary shares issuable under the outstanding options '000	Weighted average exercise price per share HK\$	Number of ordinary shares issuable under the outstanding options '000
At beginning of the period/year	2.016	4,180	2.016	4,432
Forfeited during the period/year	2.016	—	2.016	(42)
Exercised during the period/year	2.016	(948)	2.016	(210)
At end of the period/year	2.016	3,232	2.016	4,180

The weighted average share price at the date of exercise for share options exercised during the period was HK\$3.38 per share (31 December 2019: HK\$2.75 per share).

As at 30 June 2020, the Company had outstanding options to subscribe for 3,232,000 (31 December 2019: 4,180,000) ordinary shares of the Company under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,232,000 (31 December 2019: 4,180,000) additional ordinary shares of the Company and additional share capital of HK\$323,000 (31 December 2019: HK\$418,000) and share premium of HK\$6,193,000 (31 December 2019: HK\$8,009,000) (before issue expenses).

17. Share Award Scheme

The Company has adopted the share award scheme on 18 July 2017 (the “Share Award Scheme”) to recognise the contributions of employees (including without limitation any executive directors) or consultants of the Group. Pursuant to the Share Award Scheme, the Board may award shares of the Company (“Awarded Shares”) to the aforesaid persons. Subject to any early termination, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of Awarded Shares which may be awarded under the Share Award Scheme shall not exceed 5% of the issued share capital of the Company from time to time. The maximum number of Awarded Shares which may be awarded to a selected person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

For the six months ended 30 June 2020, the Board had awarded 5,020,000 Awarded Shares, representing approximately 0.20% of the issued share capital of the Company as at 30 June 2020, to selected eligible persons under the Share Award Scheme.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

17. Share Award Scheme (Continued)

The shares to be awarded under the Share Award Scheme may be new shares of the Company or shares purchased by a trustee (the “Trustee”) from the open market out of cash contributed by the Group.

The Trustee holds shares of the Company on trust for the selected eligible persons until such shares are vested with the selected eligible persons in accordance with the provisions of the Share Award Scheme and shall not exercise the voting rights in respect of any shares held on trust for the Group or the selected eligible persons.

During the six months ended 30 June 2020 and the year ended 31 December 2019, the Group had not purchased shares through the Trustee from open market.

The movements in the Company’s shares held under the Share Award Scheme during the period/year are as follows:

	Number of ordinary shares	Shares held under the Share Award Scheme HK\$'000
At 1 January 2019, 31 December 2019 and 1 January 2020	12,354,000	58,122
Granted during the period	(5,020,000)	(23,618)
At 30 June 2020	7,334,000	34,504

During the period, the Company had awarded 5,020,000 shares to selected eligible persons under the Share Award Scheme (for the year ended 31 December 2019: Nil).

18. Assets Held for Sale

In 2019, the Group negotiated with independent third parties to dispose of certain power generation assets subsequent to the expiry or cancellation of certain IBO contracts of the distributed power stations and purchase orders were placed by the independent third parties. In the opinion of the directors, the sales were considered highly probable and are expected to be completed within one year from the dates of reclassification. Accordingly, the related power generation assets of HK\$268,680,000 were classified as assets held for sale as at 31 December 2019. During the period, the assets of HK\$223,337,000 were sold to independent third parties.

19. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Power generation assets	506,582	527,201
Capital contributions to joint ventures	624,000	—
	1,130,582	527,201

20. Related Party Transactions

- (a) In addition to the balances and transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Lease expense to Orient Profit Investment Limited*	475	480
Purchase of goods from Orcan International Energy Technology Co Ltd [#]	218,010	—
Interest expense to Orcan International Investment Holdings Limited [#]	3,083	—

* This related company is owned by an associate of the controlling shareholder of the Company.

[#] This related company is a subsidiary of a joint venture of the Company. Interest expense to the related company arose from the loan advanced to the Group.

The above transactions were entered into based on terms mutually agreed between the relevant parties.

(b) Commitments with a related company

On 1 April 2018, a subsidiary of the Company entered into a tenancy agreement with Orient Profit Investment Limited to rent a residential property as the quarter for a director of the Company for nine months at a monthly rental of HK\$80,000. The tenancy agreement has been renewed for two years from 1 January 2019 to 31 December 2020 at a monthly rental of HK\$80,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30 June 2020

20. Related Party Transactions (Continued)

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' and chief executives' remuneration is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	15,615	13,505
Post-employment benefits	81	81
Equity-settled share-based payment expense	6,755	202
Total compensation paid to key management personnel	22,451	13,788

21. 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\$294,933,000 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.

22. Approval of the Financial Statements

These financial statements were approved and authorised for issue by the Board on 25 August 2020.

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 (the “**Directors**”) 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.

OTHER INFORMATION (CONTINUED)

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) Interest in the Company

Name of Director	Capacity	Number of ordinary shares	Number of underlying shares (Note 5)	Total	Approximate percentage of issued share capital (Note 2)
LAM Yee Chun ("Mr. LAM") (Note 3)	Interest of a controlled corporation	1,806,633,881	—	1,806,633,881	70.48%
	Beneficial owner	1,548,000	—	1,548,000	0.06%
	Interest of spouse	390,000	—	390,000	0.02%
LEE Chong Man Jason ("Mr. LEE")	Beneficial owner	132,000	263,000	395,000	0.02%
AU-YEUNG Tai Hong Rorce	Beneficial owner	22,426,947	263,000	22,689,947	0.89%
LO Siu Yuen	Beneficial owner	16,736,463	260,000	16,996,463	0.66%
CHAN Mei Wan ("Ms. CHAN") (Note 4)	Beneficial owner	390,000	—	390,000	0.02%
	Interest of spouse	1,808,181,881	—	1,808,181,881	70.54%

Notes:

- All the above interests in the shares and underlying shares of the Company were long positions. None of the Directors and the chief executive of the Company held any short positions in the shares and underlying shares of the Company as at 30 June 2020.
- Based on 2,563,232,000 shares of the Company in issue as at 30 June 2020.
- Mr. LAM directly holds the entire issued share capital of Sunpower Global Limited which holds 58.87% of the total issued share capital of Konwell Developments Limited. Konwell Developments Limited holds the entire issued share capital of Energy Garden Limited. Therefore, Mr. LAM is deemed to have interest in the 1,806,633,881 shares of the Company held by Energy Garden Limited.

Mr. LAM is the spouse of Ms. CHAN. Under Divisions 2 and 3 of Part XV of the SFO, Mr. LAM is deemed to have interest in the same number of shares in the Company in which his spouse has interest.
- Ms. CHAN is the spouse of Mr. LAM. Under Divisions 2 and 3 of Part XV of the SFO, Ms. CHAN is deemed to have interest in the same number of shares in the Company in which her spouse has interest. Ms. CHAN is a director of Energy Garden Limited.
- All these interests held by such Directors were underlying shares in respect of share options granted to them on 1 November 2016 pursuant to the Pre-IPO Share Option Scheme, further details of which are set out under the section headed "Share Option Schemes" below.

(ii) Interest in Associated Corporations

Name of Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding interest
Mr. LAM	Sunpower Global Limited	1	100%
Mr. LAM	Konwell Developments Limited	5,724	58.87% ⁽¹⁾
Mr. LAM	Energy Garden Limited	100	58.87% ⁽²⁾
Ms. CHAN	Konwell Developments Limited	2,000	20.57% ⁽³⁾
Mr. LEE	Konwell Developments Limited	1,000	10.28% ⁽⁴⁾

Notes:

1. Through his controlling interests in Sunpower Global Limited
2. Through his controlling interests in Konwell Developments Limited
3. Through her interests in Classic Legend Holdings Limited
4. Through his interests in Jet Lion Holdings Limited

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes**1. Pre-IPO Share Option Scheme**

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 24 October 2016 for the purpose of providing incentives and rewards to eligible participants, comprising directors, employees, advisers, consultants and business partners of the Group, for their contribution and aligning the corporate objectives and interests between the Group and its key talents.

Other than the options under the Pre-IPO Share Option Scheme granted to grantees on or before 1 November 2016, no further options have been or will be granted under the Pre-IPO Share Option Scheme since then. The exercise price per share is HK\$2.016, an amount equal to 70% of the offer price per share in the global offering of the Company in November 2016.

As at 30 June 2020, the Company had outstanding options to subscribe for 3,232,000 ordinary shares of the Company under the Pre-IPO Share Option Scheme, representing approximately 0.13% of the issued share capital of the Company as at 30 June 2020.

OTHER INFORMATION (CONTINUED)

Details of the movements in the share options, which were granted under the Pre-IPO Share Option Scheme, during the six months ended 30 June 2020 (the “Period”) are as follows:

Grantee	Date of grant (dd.mm.yyyy)	Exercise price per share HK\$	Number of shares to be issued upon exercise of the share options				Exercise period (dd.mm.yyyy)
			Outstanding as at 01.01.2020	Cancelled		Outstanding as at 30.06.2020	
				or forfeited during the Period	Exercised during the Period		
Directors							
LAM Yee Chun	01.11.2016	2.016	133,000	—	(133,000)	—	24.11.2018–23.11.2021
	01.11.2016	2.016	132,000	—	(132,000)	—	24.11.2019–23.11.2022
LEE Chong Man							
Jason	01.11.2016	2.016	132,000	—	—	132,000	24.11.2018–23.11.2021
	01.11.2016	2.016	131,000	—	—	131,000	24.11.2019–23.11.2022
AU-YEUNG Tai							
Hong Rorce	01.11.2016	2.016	132,000	—	—	132,000	24.11.2018–23.11.2021
	01.11.2016	2.016	131,000	—	—	131,000	24.11.2019–23.11.2022
LO Siu Yuen	01.11.2016	2.016	130,000	—	—	130,000	24.11.2018–23.11.2021
	01.11.2016	2.016	130,000	—	—	130,000	24.11.2019–23.11.2022
CHAN Mei Wan	01.11.2016	2.016	130,000	—	(130,000)	—	24.11.2018–23.11.2021
	01.11.2016	2.016	130,000	—	(130,000)	—	24.11.2019–23.11.2022
<i>Sub-total</i>			1,311,000	—	(525,000)	786,000	
Consultants							
	01.11.2016	2.016	17,000	—	(17,000)	—	24.11.2017–23.11.2020
	01.11.2016	2.016	50,000	—	(17,000)	33,000	24.11.2018–23.11.2021
	01.11.2016	2.016	55,000	—	(16,000)	39,000	24.11.2019–23.11.2022
Employees							
	01.11.2016	2.016	230,000	—	(26,000)	204,000	24.11.2017–23.11.2020
	01.11.2016	2.016	1,142,000	—	(176,000)	966,000	24.11.2018–23.11.2021
	01.11.2016	2.016	1,375,000	—	(171,000)	1,204,000	24.11.2019–23.11.2022
<i>Sub-total</i>			2,869,000	—	(423,000)	2,446,000	
Grand-total			4,180,000	—	(948,000)	3,232,000	

2. Share Option Scheme

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 24 October 2016 for the purpose of providing incentives and rewards to eligible participants, comprising directors, employees, advisers, consultants and business partners of the Group, for their contribution and aligning the corporate objectives and interests between the Group and its key talents.

The maximum number of ordinary shares of the Company (“**Shares**”) which may be issued upon exercise of all options to be granted under the Share Option Scheme is 256,000,000 Shares, representing 10% of the Company’s issued share as at 24 November 2016, the date of listing of the Shares on the Stock Exchange, unless such mandate limit is refreshed with the approval of the Company’s shareholders. The maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue as at the date of a proposed new grant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised in general. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion. A grantee is required to pay HK\$1 upon acceptance of the offer of options. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- i. the closing price of a Share as stated in the Stock Exchange’s daily quotation sheet on the date of grant of the relevant option;
- ii. an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and
- iii. the nominal value of the share of the Company on the date of grant of the relevant option.

The Share Option Scheme shall be valid and effective for a period of 10 years from 24 November 2016, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to the termination of the Share Option Scheme and not then exercised shall continue to valid and exercisable subject to and in accordance with the Share Option Scheme.

As at 30 June 2020, no option had been granted by the Board under the Share Option Scheme.

OTHER INFORMATION (CONTINUED)

Share Award Scheme

The Company has adopted the share award scheme on 18 July 2017 (the “**Share Award Scheme**”) to recognise the contributions of employees (including without limitation any executive directors) or consultants of the Group. Pursuant to the Share Award Scheme, the Board may award shares of the Company (“**Awarded Shares**”) to the aforesaid persons. Subject to any early termination, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of Awarded Shares which may be awarded under the Share Award Scheme shall not exceed 5% of the issued share capital of the Company from time to time. The maximum number of Awarded Shares which may be awarded to a selected person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

For the six months ended 30 June 2020, the Board had awarded 5,020,000 Awarded Shares, representing approximately 0.20% of the issued share capital of the Company as at 30 June 2020, to selected eligible persons under the Share Award Scheme.

Interests and Short Positions of Substantial Shareholders/Other Persons

As at 30 June 2020, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the substantial shareholders/other persons, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity	Number of underlying shares held (Note 1)	Approximate percentage of the issued share capital (Note 2)
Energy Garden Limited (“ Energy Garden ”)	Beneficial owner	1,806,633,881	70.48%
Konwell Developments Limited (“ Konwell ”)	Interest of a controlled corporation	1,806,633,881 (Note 3)	70.48%
Sunpower Global Limited (“ Sunpower ”)	Interest of a controlled corporation	1,806,633,881 (Note 4)	70.48%
CITIC Group Corporation (“ CITIC Group ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
CITIC Polaris Limited (“ CITIC Polaris ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
CITIC Glory Limited (“ CITIC Glory ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
CITIC Limited (“ CITIC ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
CITIC Pacific Limited (“ CITIC Pacific ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
Master Wise Holdings Corp. (“ Master Wise ”)	Interest of a controlled corporation	204,800,000 (Note 5)	7.99%
Next Admiral Limited (“ Next Admiral ”)	Beneficial owner	204,800,000 (Note 5)	7.99%

Notes:

1. All the above interests in the shares and underlying shares of the Company were long positions.
2. Based on 2,563,232,000 shares of the Company in issue as at 30 June 2020.
3. Konwell holds 100% of the total issued share capital of Energy Garden. and therefore, Konwell is deemed to have interest in the 1,806,633,881 shares held by Energy Garden.
4. Sunpower directly holds 58.87% of the total issued share capital of Konwell and therefore Sunpower is deemed to have interest in the 1,806,633,881 shares held by Energy Garden.

Mr. LAM directly holds the entire issued share capital of Sunpower and therefore Mr. LAM is deemed to have interest in the 1,806,633,881 shares held by Energy Garden. Under the SFO, Mr. LAM is deemed to have interest in the same number of shares in the Company in which his spouse has interest.

5. CITIC Group holds 100% of CITIC Polaris and CITIC Glory, which in turn controls 32.53% and 25.60% of CITIC, respectively. CITIC holds 100% of CITIC Pacific, which in turn holds 100% of Master Wise. Master Wise holds 100% of Next Admiral. Accordingly, CITIC Group, CITIC Polaris, CITIC Glory, CITIC, CITIC Pacific and Master Wise have interest in 204,800,000 shares in the Company held by Next Admiral.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% (that is, the prescribed public float applicable to the Company as required under the Listing Rules) of the issued shares in the Company were held by the public as at the date of this report.

Deed of Non-Competition

On 24 October 2016, a deed of non-competition entered into among Mr. LAM Yee Chun, Ms. CHAN Mei Wan, Sunpower Global Limited, Classic Legend Holdings Limited, Konwell Developments Limited and Energy Garden Limited (the “**Controlling Shareholders**”), Sharkteeth Investments Limited and the Company in favor of the Company (for itself and as trustee for other members of the Group), under which the Controlling Shareholders have undertaken to the Company that they will not, and will use their best endeavors to procure that none of their respective associates (other than members of the Group) will, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of the Group),

- carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the Business (as defined below) (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise; and
- take any action which interferes with or disrupts or may interfere with or disrupt the Business of the Group including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of the Group.

OTHER INFORMATION (CONTINUED)

For the purpose of the deed of non-competition, our “Business” is defined to cover:

- (a) the design, integration and sale of gas-fired and diesel-fired gen-sets and power generation systems; and
- (b) the design, investment in, building, leasing and operation of DPG stations.

The deed of non-competition does not apply to:

- (a) the carrying on, engagement or participation in the Excluded Business as set out in the paragraph of “**Excluded Business**” under the section headed “RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS” in the prospectus of the Company dated 14 November 2016 by Sharkteeth Investments Limited whether directly or indirectly through VPower Technology Chad;
- (b) the relevant Controlling Shareholder’s holding in the shares of a company where:
 - the total number of shares held by the Controlling Shareholders does not exceed 10% of the issued shares of such company which is or whose holding company is listed on a stock exchange; or
 - any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of its consolidated turnover or consolidated assets, as shown in its latest audited accounts; and
- (c) the Business Opportunity which the Company has confirmed that it does not intend to pursue in accordance with the terms of the non-competition deed the (“**Forgone Business Opportunity**”).

The Controlling Shareholders have further undertaken to procure that any new business investment or other business opportunity relating to the Business (the “**Business Opportunity**”) identified by or made available to them or any of their associates, they shall and shall procure that their associates shall refer such Business Opportunity to the Company on a timely basis in accordance with the terms of the non-competition deed.

To eliminate any potential competition, the Controlling Shareholders have also granted the Company a right, which is exercisable during the term of the deed of non-competition, to acquire the Excluded Business and/or any Forgone Business Opportunity owned by the Controlling Shareholders.

The respective obligations of each of the Controlling Shareholders under the deed of non-competition shall terminate on the earliest of (i) the Shares cease to be listed on the Stock Exchange; and (ii) the Controlling Shareholders and their associates (other than members of the Group), individually or jointly, cease to hold or control, directly or indirectly, 30% or more of the entire issued share capital of the Company.

By Order of the Board

LAM Yee Chun

Executive Chairman

Hong Kong, 25 August 2020

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LAM Yee Chun
(Executive Chairman)
Mr. LEE Chong Man Jason
(Co-Chief Executive Officer)
Mr. AU-YEUNG Tai Hong Rorce
(Co-Chief Executive Officer)
Mr. LO Siu Yuen
(Chief Operation Officer)

Non-Executive Directors

Ms. CHAN Mei Wan
(Vice Chairwoman)
Mr. KWOK Man Leung

Independent Non-Executive Directors

Mr. David TSOI
Mr. YEUNG Wai Fai Andrew
Mr. SUEN Wai Yu

Board Committees

Audit Committee

Mr. David TSOI *(Chairman)*
Ms. CHAN Mei Wan
Mr. YEUNG Wai Fai Andrew

Remuneration Committee

Mr. YEUNG Wai Fai Andrew *(Chairman)*
Ms. CHAN Mei Wan
Mr. SUEN Wai Yu

Nomination Committee

Mr. SUEN Wai Yu *(Chairman)*
Mr. LAM Yee Chun
Mr. David TSOI

Company Secretary

Mr. CHAN Kam Shing

Authorised Representatives

Mr. AU-YEUNG Tai Hong Rorce
Mr. LO Siu Yuen

Auditor

Ernst & Young

Principal Bankers

Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

Head Office and Principal Place of Business

Units 2701–05, 27/F
Office Tower 1
The Harbourfront
18–22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

Principal Share Registrar and Transfer Agent

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Website

www.vpower.com

Stock Code

1608