VPOWER
GROUP

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 2018 Report

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 Southeast Asia's largest gas-fired engine-based distributed power generation ("**DPG**") station owners and operators, 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 ("**PGSs**") that primarily run on natural gas or diesel, (2) designing, investing in, building, leasing, 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 & 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 lighten up possibilities.

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MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2018, distributed power generation (DPG) market, particularly for engine-based power generation, continued to grow with expanding its scope of application coverage, covering power rental, backup power, peak-shaving, fast-track small scale utilities and power reserve market.

Business Review

SI Business

Leveraging on our 20 years of operational experience in SI business, we continued to penetrate into the global SI markets and successfully recorded a satisfactory revenue growth of 8.1% to HK$647.2 million for the six months ended 30 June 2018 (corresponding period in 2017: HK$598.7 million). The growth was mainly attributable to (i) the increasing demand to supplement renewable energy generation in the developed countries; (ii) fast growing data center market; (iii) rapid developing gas-fired DPG stations in China and emerging countries driven by the transition to clean energy; and (iv) recovery of marine market.

With our SI and IBO businesses complementing with each other, we can enhance our economies of scale and bargaining power, deepen our industry knowledge, and thus further reinforce lead against competition.

IBO Business

In the reviewing period, most of the Southeast Asian countries continued to experience strong growth in power demand and huge power deficit. Given the challenge in accessing capital for construction of large scale power plants, our lower capital required, flexible, fast-track DPG solutions continue to play a key role in bridging the demand and supply gap in these countries.

Developed countries were also experiencing an increasing demand for DPG solutions primarily driven by their accelerating power reform to replace the old coal-fired power generation with renewable and clean energy generation. The intermittent nature of renewable energy has made the immediately available DPG solution an ideal solution to mitigate the erratic power supply.

In the context of global power market transition, maintaining sustainability for the greatest benefits of our stakeholders remained at the top of our agenda. In the first half of 2018, we made sustained progress in building a strategic global network, which laid a foundation for us to seize both short- and long-term opportunities in the emerging markets and developed markets.

Replicating the success in Southeast Asia and leveraging our well-established SI global network, we expanded our IBO business into Latin America. In February 2018, we exercised the option to acquire 51% equity interest in the project company of a heavy fuel oil-fired project in Peru with installed capacity of 79.8MW ("**Iquitos Project**"), to which we offered a 3-year convertible loan of US$30 million in May 2017, at a consideration of US$4.6 million which was satisfied by way of set-off against the same amount of the convertible loan. The project has a contract term of 20 years which is expected to provide a long term and stable revenue stream to the Group and establish our presence in Latin America.

In the reviewing period, the first phase of our first biogas project with combined heat and power ("**CHP**") system in Shandong Province, China entered into its trial operation. The installed capacity of the first phase of the project is 8.2MW and the contract term is 15 years. The second phase of 6.2MW is expected to be in operation within 6 months from the commercial operation of the first phase.

In the reviewing period, we also tapped into the power reserve market in the United Kingdom by securing a contract in Doncaster, the United Kingdom with planned installed capacity of 20.3MW and contract term of 15 years ("**Doncaster Project**"). The project is expected to commence commercial operation in the first half of 2019.

In May 2018, we won a public tender and were issued a Letter of Acceptance by the Ministry of Electricity and Energy of the Republic of the Union of Myanmar which sets out the mutual understanding on the key terms of the definitive agreement in respect of a gas-fired project. The project's planned installed capacity is 109.7MW with contract term of 5 years ("**Myingyan II Project**"). This new project further consolidates our leadership in the DPG market in Myanmar and is expected to commence commercial operation in February 2019.

The following table shows our DPG projects in operation as at 30 June 2018:

Projects	**Installed capacity** *(MW)*[1]	**Contract length** *(months)*[2]	**Location**
Teluk Lembu I	20.3	12	Indonesia
Teluk Lembu II	65.8	60	Indonesia
Palembang	56.2	12	Indonesia
Jambi	56.4	60	Indonesia
Medan[3]	54.0	12	Indonesia
Rengat	20.3	36	Indonesia
Subtotal	273.0		
Kyauk Phyu I	49.9	60	Myanmar
Kyauk Phyu II	49.9	60	Myanmar
Myingyan	149.8	60	Myanmar
Subtotal	249.6		
Pagla	58.8	60	Bangladesh
Iquitos[4]	79.8	240	Peru
Shandong[5]	8.2	180	China
Total	669.4		

Notes:

(1) Installed capacity refers to the maximum power generating capacity of the DPG station based on an aggregate capacity of power generation systems ("**PGS(s)**") installed.

(2) Contract length refers to the term of the contract entered into by the Group in respect of the DPG projects.

(3) The Medan project consists of DPG stations located in Aceh, Tanjung Belit, Tembilahan and Kota Tengah.

(4) We hold 51% equity interest of the project company that operates the Iquitos Project.

(5) The Shandong Project is in trial operation.

Our IBO business segment recorded a revenue of HK$442.2 million for the six month ended 30 June 2018 (corresponding period in 2017: HK$337.7 million), representing an increase of approximately 30.9%. The increase was primarily attributable to the Iquitos Project which started revenue contribution (including pass-through fuel) since February 2018.

The following table shows our potential projects, for which we have entered into contracts or memorandum of understanding ("**MOU**") or have won public tender for operation, as at 30 June 2018:

Projects	Planned installed capacity *(MW)*	Location
Myingyan II	109.7	Myanmar
China Biogas	18.6	China
Amazonas State	70.3	Brazil
Doncaster	20.3	United Kingdom
Bangladesh	218.8	Bangladesh
Pagla II	58.8	Bangladesh
Ghana	56.2	Ghana
Total	552.7	

In addition, as at 30 June 2018, we had projects with over 450MW planned installed capacity under advanced negotiation in Myanmar, Indonesia, China, the United Kingdom and the Middle East.

Tamar VPower Energy Fund I, L.P.

To explore the opportunities in the energy sector in countries along the Belt and Road Initiative, we and CITIC Pacific Limited ("**CITIC Pacific**"), one of China's largest conglomerates and our 8% shareholder, established an energy fund (Tamar VPower Energy Fund I, L.P., the "**Fund**") with equal initial commitments in January 2018. Since its establishment, the Fund, with an initial fund size of US$160 million, has invested in two companies, namely Byrne Equipment Rental LLC (together with its subsidiaries, the "**Byrne Group**") and Orcan International Energy Technology Co., Ltd. (together with its subsidiaries, the "**Orcan Internationa**l").

Being a long-term SI customer of our Group, the Byrne Group is one of the most diverse equipment rental suppliers in the Gulf Cooperation Council ("**GCC**") region. With more than 10,000 items of plant and 15 operational bases, the Byrne Group offers high quality equipment rental solutions and power rental solutions to a broad variety of sectors including oil and gas, construction and infrastructure, events industrial and manufacturing and marine and ports throughout the GCC region. The strong network of the Byrne Group provides a readily available platform for us to efficiently expand our SI and IBO business into the Middle East which is among the world's highest electricity consumption per capita and where the electricity demand has continued to outpace supply growth.

Orcan International offers efficient energy solutions based on organic rankine cycle (ORC) technology for conversion of waste heat into electricity in sectors including gas-fired and diesel-fired power plants, oil and gas industrial, hotels, hospitals, marine power, geothermal power, biomass and landfill gas. Orcan International has been granted a licence to use ORC technology, patents and brands of Orcan Energy AG (Germany). We see tremendous synergy in applying Orcan International's ORC technology into our business.

The above investments marked the successful collaboration of CITIC Pacific and the Group in identifying synergistic mergers and acquisitions through the Fund.

Outlook

Looking ahead, the DPG market is expected to remain strong due to the structural power deficit in emerging markets and the escalating demand for power reserve capacity in developed markets. Leveraging on the successful geographical expansion and foundation built in the first half of 2018, we will continue to diversify and enrich our IBO portfolio and strengthen our SI business at the same time in pursuit of sustainability.

For emerging markets, we will focus on consolidating our leadership in existing markets of operations in order to effectively allocate our resources and capture upcoming opportunities. Following our debut in Peru in the first half of 2018, we expect to expand our presence in Latin America, mainly in Brazil.

Developed countries, such as the United Kingdom, will also be a focus for our business development in the foreseeable future. Thanks to the accelerating demand for power reserve capacity to alleviate the risk of renewable power supply instability, we expect the market potential in developed countries to be tremendous. We believe our core competences, including the industry leading efficiency and technical expertise, strong relationship with world-class engine manufacturers and economies of scale, have well-equipped us with the ability to grow our market share there.

Riding on the resources of CITIC Pacific and our well-established leadership in the DPG industry, we will also seek for attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative through the Fund.

In conclusion, we will continue to explore various business opportunities to underpin the Group's sustainability. Amid the growing global market with rising geopolitical uncertainties in various parts of the world, high quality investments and risk control will consistently remain our top priorities during business expansion. Expecting some potential industry consolidations arising from the global energy transition, we will also actively look for regional collaboration with strategic partners and synergistic opportunities in mergers and acquisitions opportunities.

Financial Review

Revenue

The revenue of the Group was mainly derived from: (i) SI business by providing gen-sets and PGSs 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	
	2018	2017
	HK$'000	HK$'000
SI	**647,230**	598,720
IBO	**442,174**	337,674
Total	**1,089,404**	936,394

In the six months ended 30 June 2018, the Group recorded a revenue of approximately HK$1,089.4 million, representing an increase of 16.3% as compared with approximately HK$936.4 million of the corresponding period in 2017. The increase in revenue was mainly due to the growth of IBO business. Please refer to IBO Business as set out in the paragraph headed "Business Review" for the increase in IBO 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			
	2018		2017	
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Hong Kong	**68,978**	**6.3**	2,480	0.3
Mainland China	**193,706**	**17.8**	164,264	17.5
Asian countries[1]	**383,153**	**35.2**	352,777	37.7
Other countries	**1,393**	**0.1**	79,199	8.4
Total	**647,230**	**59.4**	598,720	63.9

Note:

(1) Asian countries include Singapore, South Korea, United Arab Emirates, the Philippines, Indonesia and Bangladesh.

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			
	2018		2017	
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Indonesia	**89,067**	**8.2**	89,579	9.6
Bangladesh	**37,147**	**3.4**	47,283	5.0
Peru	**142,065**	**13.0**	—	—
Myanmar	**173,895**	**16.0**	200,812	21.5
Total	**442,174**	**40.6**	337,674	36.1

Cost of sales

Under our SI business, our cost of sales mainly consists of cost of goods sold and services provided, staff costs, rental expense and depreciation. We use engines, radiators, alternators, other parts and ancillary equipment to produce gen-sets and PGSs. We incur rental expense for our manufacturing facilities.

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$715.5 million for the six months ended 30 June 2018, representing an increase by HK$108.1 million as compared with approximately HK$607.4 million of the corresponding period in 2017. The increase was due to the growth of our SI and IBO businesses.

Gross profit and gross profit margin

	Six months ended 30 June			
	2018		2017	
	HK$'000	**gross profit margin %**	HK$'000	gross profit margin %
SI	**147,229**	**22.7**	132,145	22.1
IBO	**226,662**	**51.3**	196,846	58.3
Total	**373,891**	**34.3**	328,991	35.1

Gross profit of the Group was approximately HK$373.9 million for the six months ended 30 June 2018, representing an increase of 13.6% as compared with approximately HK$329.0 million of the corresponding period in 2017. Gross profit margin for the six months ended 30 June 2018 decreased to 34.3% from 35.1% for the six months ended 30 June 2017 which was mainly attributable to addition of the Iquitos Project (in which we incur pass-through fuel cost) to the IBO business.

Profit before tax

Profit before tax for the six months ended 30 June 2018 was approximately HK$162.0 million, representing an increase of 2.3% as compared with approximately HK$158.4 million of the corresponding period in 2017. The increase was mainly due to (i) the increase in gross profit of the Group's business; (ii) increase in other income on the gain on debt extinguishment in relation to payables to EPC contractors and forfeiture of sales deposits; and offset by (i) increase in administrative expenses as a result of addition of the Iquitos Project to the IBO business and increase of headcounts; and (ii) increase in finance costs as a result of increase in interest-bearing bank and other borrowings and senior notes.

Other income and gains

In the six months ended 30 June 2018, other income and gains of the Group amounted to approximately HK$33.3 million, representing an increase of 117.6% as compared with approximately HK$15.3 million of the corresponding period in 2017. The increase was mainly attributable to the gain on debt extinguishment in relation to payables to EPC contractors and forfeiture of sales deposits in the six months ended 30 June 2018.

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 23.5% from approximately HK$9.8 million for the six months ended 30 June 2017 to HK$12.1 million for the six months ended 30 June 2018. The increase was mainly due to the increase in commission expense.

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 2018, administrative expenses of the Group were approximately HK$109.8 million, representing an increase of 44.5% as compared with the corresponding period in 2017 of approximately HK$76.0 million. The increase was mainly due to addition of the Iquitos Project to the IBO business and increase in headcounts.

Other expenses, net

Other expenses, net of the Group primarily consist of unrealised foreign exchange loss on realignment of accounts payable and bank borrowings which were denominated in Euro for purchases of equipment and engines. In the six months ended 30 June 2018, other expenses, net were approximately HK$41.1 million, which represented an decrease of 32.8% over the corresponding period in 2017 of approximately HK$61.2 million. The decrease was mainly attributable to the decrease in foreign exchange loss.

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 2018, finance costs were approximately HK$79.8 million, which represented an increase of 104.6% over the corresponding period in 2017 of approximately HK$39.0 million. The increase was primarily due to the interest paid under the senior notes issued by our 51% owned subsidiary Genrent Del Peru S.A.C. ("**Genrent**") to finance, among other things, the Iquitos Project and the increase in the loan interest for interest-bearing bank and other borrowings which was partially offset by the decrease in notional interest for the EPC payables.

Income tax expense

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In the six months ended 30 June 2018, income tax expense was approximately HK$11.1 million, representing an increase of 35.4% as compared with the corresponding period in 2017 of approximately HK$8.2 million, and our effective tax rate was 6.9% and 5.1% for the six months ended 30 June 2018 and 2017, respectively. Both increases were primarily due to a slight increase in withholding tax in overseas IBO business in the six months ended 30 June 2018.

Profit Attributable to Owners and Earnings per Share

In six months ended 30 June 2018, profit attributable to owners of the Company was approximately HK$155.1 million, representing an increase of approximately HK$4.9 million or approximately 3.3% as compared with approximately HK$150.2 million of the corresponding period in 2017.

Basic earnings per share for the six months ended 30 June 2018 were HK6.08 cents as compared with HK5.87 cents of the corresponding period in 2017.

Liquidity, Financial and Capital Resources

As at 30 June 2018, total current assets of the Group amounted to approximately HK$3,285.2 million (31 December 2017: HK$3,123.6 million). In terms of financial resources as at 30 June 2018, cash and cash equivalents of the Group were approximately HK$975.6 million (31 December 2017: HK$1,033.5 million).

As at 30 June 2018, total bank and other borrowings and senior notes of the Group amounted to approximately HK$3,824.0 million, representing an increase of approximately 175.3% as compared to HK$1,389.0 million as of 31 December 2017. The Group's bank and other borrowings included short term loans with 1-year maturity and term loans with maturity within 3 years. As at 30 June 2018, the Group's bank and other borrowings denominated in U.S. dollars, HK dollars and Euro were approximately HK$3,096.7 million (31 December 2017: HK$984.9 million), HK$517.3 million (31 December 2017: HK$225.7 million) and approximately HK$205.1 million (31 December 2017: HK$178.1 million), respectively.

The Group financed its business with internally generated cash flows from operations and bank borrowings. The decrease in cash and cash equivalents was mainly due to the utilisation of funds for daily operations and capital expenditure of property, plant and equipment as well as investment in joint ventures.

The Group's net gearing ratio, which is calculated as a ratio of total interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits to shareholders' equity was approximately 107.7% (31 December 2017: 7.7%). As at 30 June 2018, the Group's current ratio was 1.4 (31 December 2017: 1.4).

Charge of Assets

As at 30 June 2018, the Group had charged certain property, plant and equipment with a net book value of approximately HK$571.0 million (31 December 2017: HK$594.9 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$1,065.9 million as security for the senior notes issuance of such subsidiary.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenue and payments are mainly in U.S. dollars, IDR, Renminbi ("**RMB**") and Euro. 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 dominated in currencies other than the functional currency of the respective operations. The currencies involved are primarily Euro, IDR and RMB. The Group's majority of purchases are either in Euro or U.S. dollar. During the period, the Group entered into currency forward contracts to hedge 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 and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 (31 December 2017: HK$58.9 million).

Capital Expenditures

For the six months ended 30 June 2018, the Group invested approximately HK$920.6 million (31 December 2017: HK$403.3 million) which included addition of HK$898.3 million in property, plant and equipment arising from acquisition of a subsidiary.

Material Acquisition and Disposal

(i) In January 2018, the Company and CITIC Pacific through their respective subsidiaries, agreed to establish 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 Company has committed an aggregate amount of US$80 million (equivalent to HK$624 million) to subscribe for interest of the Fund through its own indirect wholly owned subsidiary and the special limited partner of the Fund.

(ii) In February 2018, the Group exercised the option to subscribe for 51% of the ordinary voting shares in the capital of Genrent at the exercise consideration of US$4.6 million (equivalent to HK$35.8 million) which was satisfied by way of set-off against the same amount of the outstanding convertible loan advanced by the Group to Genrent. Following the option exercise, Genrent has become a 51% owned subsidiary of the Company.

Apart from the above, the Group did not have other material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Employees

As at 30 June 2018, the Group had 362 employees (31 December 2017: 293). 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 2018, 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 our employees.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
REVENUE	*4*	**1,089,404**	936,394
Cost of sales		**(715,513)**	(607,403)
Gross profit		**373,891**	328,991
Other income and gains	*4*	**33,346**	15,347
Selling and distribution expenses		**(12,053)**	(9,814)
Administrative expenses		**(109,833)**	(76,045)
Other expenses, net		**(41,111)**	(61,155)
Finance costs		**(79,786)**	(38,950)
Share of profit or loss from joint ventures		**(2,462)**	—
PROFIT BEFORE TAX	*5*	**161,992**	158,374
Income tax	*6*	**(11,125)**	(8,151)
PROFIT FOR THE PERIOD		**150,867**	150,223
Attributable to:			
Owners of the Company		**155,063**	150,223
Non-controlling interests		**(4,196)**	—
		150,867	150,223
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK6.08 cents**	HK5.87 cents
Diluted		**HK6.07 cents**	HK5.86 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**150,867**	150,223
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,118)**	6,066
Other comprehensive income not yet to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluations	**1,063**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(1,055)**	6,066
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**149,812**	156,289
Attributable to:		
Owners of the Company	**153,638**	156,289
Non-controlling interests	**(3,826)**	—
	149,812	156,289

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**2,985,818**	2,189,082
Investment property		**25,000**	—
Intangible assets		**54,597**	—
Goodwill		**62,541**	—
Interests in joint ventures	*10*	**234,197**	—
Deposits and other receivables		**522,814**	608,597
Deferred tax assets		**3,215**	5,329
Total non-current assets		**3,888,182**	2,803,008
CURRENT ASSETS			
Inventories		**806,938**	712,451
Trade and bills receivables	*11*	**1,045,608**	780,898
Prepayments, deposits and other receivables		**289,581**	314,838
Derivative financial asset		**—**	90,386
Due from related companies		**3,313**	96
Loan receivable from non-controlling interests		**45,068**	—
Tax recoverable		**59,458**	25,669
Pledged deposits		**59,573**	165,759
Cash and cash equivalents		**975,623**	1,033,502
Total current assets		**3,285,162**	3,123,599
CURRENT LIABILITIES			
Trade and bills payables	*12*	**337,008**	904,075
Other payables and accruals		**193,669**	832,025
Contract liabilities		**45,802**	—
Derivative financial liability		**4,828**	—
Due to related companies		**1,896**	—
Loan payable to non-controlling interests		**82,027**	—
Interest-bearing bank and other borrowings		**1,688,681**	532,392
Senior notes		**1,064**	—
Tax payable		**7,964**	17,808
Provision for restoration		**2,862**	3,672
Total current liabilities		**2,365,801**	2,289,972
NET CURRENT ASSETS		**919,361**	833,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,807,543**	3,636,635

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Other payables		**67,131**	311,046
Interest-bearing bank and other borrowings		**1,349,944**	856,651
Senior notes		**784,287**	—
Provision for restoration		**2,330**	2,330
Deferred tax liabilities		**13,963**	5,886
Total non-current liabilities		**2,217,655**	1,175,913
Net assets		**2,589,888**	2,460,722
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**256,186**	256,159
Reserves		**2,311,521**	2,205,157
		2,567,707	2,461,316
Non-controlling interests		**22,181**	(594)
Total equity		**2,589,888**	2,460,722

Lam Yee Chun
Director

Au-Yeung Tai Hong Rorce
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Notes	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$'000	Statutory reserve funds HK$'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 2017		256,000	1,505,085	(15,458)	147,749	796	–	15,999	10,556	(6,917)	348,440	2,262,250	–	2,262,250
Profit for the period		–	–	–	–	–	–	–	–	–	150,223	150,223	–	150,223
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	6,066	–	6,066	–	6,066
Total comprehensive income for the period		–	–	–	–	–	–	–	–	6,066	150,223	156,289	–	156,289
2016 final dividend	7	–	–	–	–	–	–	–	–	–	(65,792)	(65,792)	–	(65,792)
2017 interim dividend	7	–	–	–	–	–	–	–	–	–	(37,632)	(37,632)	–	(37,632)
Equity-settled share option arrangement		–	–	–	–	2,268	–	–	–	–	–	2,268	–	2,268
Transfer of share option reserve upon the forfeiture of share option		–	–	–	–	(9)	–	–	–	–	9	–	–	–
At 30 June 2017		256,000	1,505,085	(15,458)	147,749	3,055	–	15,999	10,556	(851)	395,248	2,317,383	–	2,317,383
At 1 January 2018		**256,159**	**1,510,042**	**(15,458)**	**147,749**	**3,395**	**(54,171)**	**15,999**	**16,592**	**9,984**	**571,025**	**2,461,316**	**(594)**	**2,460,722**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**155,063**	**155,063**	**(4,196)**	**150,867**
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,488)**	**–**	**(2,488)**	**370**	**(2,118)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:														
Gain on property revaluation		**–**	**–**	**–**	**–**	**–**	**–**	**1,063**	**–**	**–**	**–**	**1,063**	**–**	**1,063**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**1,063**	**–**	**(2,488)**	**155,063**	**153,638**	**(3,826)**	**149,812**
2017 final dividend	7	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,887)**	**(44,887)**	**–**	**(44,887)**
Acquisition of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,351**	**25,351**
Capital contribution by non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,250**	**1,250**
Issue of shares upon exercise of share option		**27**	**818**	**–**	**–**	**(313)**	**–**	**–**	**–**	**–**	**–**	**532**	**–**	**532**
Equity-settled share option arrangement		**–**	**–**	**–**	**–**	**1,091**	**–**	**–**	**–**	**–**	**–**	**1,091**	**–**	**1,091**
Purchase of shares for the share award scheme		**–**	**–**	**–**	**–**	**–**	**(3,951)**	**–**	**–**	**–**	**–**	**(3,951)**	**–**	**(3,951)**
Transfer of share option reserve upon the forfeiture of share option		**–**	**–**	**–**	**–**	**(32)**	**–**	**–**	**–**	**–**	**–**	**(32)**	**–**	**(32)**
At 30 June 2018		**256,186**	**1,510,860***	**(15,458)***	**147,749***	**4,141***	**(58,122)***	**17,062***	**16,592***	**7,496***	**681,201***	**2,567,707**	**22,181**	**2,589,888**

* These reserve accounts comprise the consolidated reserves of HK$2,311,521,000 (31 December 2017: HK$2,205,157,000) in the consolidated statement of financial position as at 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows (used in) from operating activities	**(632,496)**	138,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(880,828)**	(62,352)
Advance of loan to a business partner	**—**	(140,591)
Decrease in pledged deposits	**106,072**	248,264
Investment in joint ventures	**(236,659)**	—
Others	**23,954**	4,527
Net cash flows (used in) from investing activities	**(987,461)**	49,848
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**1,841,019**	510,167
Repayment of bank borrowings	**(158,469)**	(537,738)
Others	**(118,666)**	(125,042)
Net cash flows (used in) from financing activities	**1,563,884**	(152,613)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(56,073)**	35,954
Cash and cash equivalents at beginning of period	**1,033,502**	1,392,009
Effect of foreign exchange rate changes, net	**(1,806)**	2,439
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**975,623**	1,430,402
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**975,623**	483,428
Non-pledged time deposits with original maturity of less than three months when acquired	**—**	946,974
	975,623	1,430,402

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 2018, 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, lease 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.

The shares of the Company commenced listing on the Main Board of The Stock Exchange of Hong Kong Limited on 24 November 2016.

2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with the Hong Kong Accounting Standards 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 consolidated financial statements for the year ended 31 December 2017.

(a) Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the first time for the Group's annual financial period beginning on or after 1 January 2018. The Company has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements.

2. Basis of Preparation (Continued)

(a) Changes in Accounting Policies and Disclosures (continued)

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15, amendments to HKFRS 15 and HK(IFRIC)-Int 22, the adoption of the above new and revised standards has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

2. Basis of Preparation (Continued)

(a) Changes in Accounting Policies and Disclosures (continued)

(a) HKFRS 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Financial assets at fair value through profit or loss comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

2. Basis of Preparation (Continued)

(a) Changes in Accounting Policies and Disclosures (continued)

(a) HKFRS 9 Financial Instruments (continued)

(ii) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the impairment requirements of HKFRS 9 has had no significant impact on the Group's unaudited condensed consolidated interim financial statements.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts,* HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. Basis of Preparation (Continued)

(a) Changes in Accounting Policies and Disclosures (continued)

(b) HKFRS 15 Revenue from Contracts with Customers (continued)

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The effect of adopting HKFRS 15 is as follows:

Impact on the consolidated statement of financial position as at 1 January 2018:

	HK$'000
Decrease in other payables and accruals	(46,610)
Increase in contract liabilities	46,610

There is no material impact on the consolidated statement of cash flows and the basic and diluted earnings per share.

The Group's principal activities consist of 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, lease and operation of distributed power generation stations. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(i) Design, integration, sale and installation of engine-based electricity generation units

The Group's contracts with customers for the sale of engine-based electricity generation units generally include one performance obligation. The Group has concluded that revenue from sale of engine-based electricity generation units should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery and installation of the equipment. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

In addition, the Group also reclassified the deferred income for the sale of engine-based electricity generation units of which installation services yet to be rendered to contract liabilities.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in: increase in current portion of contract liabilities amounting to HK$27,128,000; and decrease in current portion of other payables and accruals amounting to HK$27,128,000.

2. Basis of Preparation (Continued)

(a) Changes in Accounting Policies and Disclosures (continued)

(b) HKFRS 15 Revenue from Contracts with Customers (continued)

(ii) Advances received from customers

Generally, the Group receives short-term advances from its customers. Prior to the adoption of HKFRS 15, the Group presented these advances as other payables and accruals in the consolidated statement of financial position. No interest was accrued on the advances received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of advances from customers.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in: increase in current portion of contract liabilities amounting to HK$19,482,000; and decrease in current portion of other payables and accruals amounting to HK$19,482,000.

(iii) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

(c) HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any significant impact on the Group's unaudited condensed consolidated interim financial statements.

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, leases 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains/(losses) from the Group's 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, loan receivable from non-controlling interests, tax recoverable, 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 instrument, amount due to related companies, loan payable to non-controlling interests, interest-bearing bank and other borrowings, senior notes, 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.

3. Operating Segment Information (Continued)

For the six months ended 30 June 2018 (unaudited)

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	647,230	442,174	1,089,404
Intersegment sales	8,504	—	8,504
	655,734	442,174	1,097,908
Reconciliation:			
Elimination of intersegment sales			(8,504)
Revenue			1,089,404
Segment results	92,848	182,123	274,971
Reconciliation:			
Elimination of intersegment results			(1,116)
Bank interest income			1,731
Corporate and unallocated expenses, net			(33,808)
Finance costs			(79,786)
Profit before tax			161,992
Segment assets	1,612,947	4,176,498	5,789,445
Reconciliation:			
Corporate and unallocated assets			1,383,899
Total assets			7,173,344
Segment liabilities	372,993	458,548	831,541
Reconciliation:			
Corporate and unallocated liabilities			3,751,915
Total liabilities			4,583,456
Other segment information:			
Reversal of impairment of trade receivables	(62)	—	(62)
Depreciation and amortisation	2,660	102,745	105,405
Capital expenditure*	6,591	914,029	920,620

* Capital expenditure included addition of HK$898.3 million property, plant and equipment arising from acquisition of a subsidiary.

3. Operating Segment Information (Continued)

For the six months ended 30 June 2017 (unaudited)

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	598,720	337,674	936,394
Intersegment sales	4,751	—	4,751
	603,471	337,674	941,145
Reconciliation:			
Elimination of intersegment sales			(4,751)
Revenue			936,394
Segment results	41,241	179,185	220,426
Reconciliation:			
Elimination of intersegment results			(328)
Bank interest income			5,403
Corporate and unallocated expenses, net			(28,177)
Finance costs			(38,950)
Profit before tax			158,374
Other segment information:			
Reversal of impairment of trade receivables	(479)	—	(479)
Depreciation	1,521	75,991	77,512
Capital expenditure	3,347	189,053	192,400
Year ended 31 December 2017 (audited)			
Segment assets	1,220,988	3,327,327	4,548,315
Reconciliation:			
Corporate and unallocated assets			1,378,292
Total assets			5,926,607
Segment liabilities	913,127	1,123,644	2,036,771
Reconciliation:			
Corporate and unallocated liabilities			1,429,114
Total liabilities			3,465,885

3. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong	**68,978**	2,480
Mainland China	**193,706**	164,264
Latin America	**142,065**	—
Asian countries	**683,263**	690,451
Other countries	**1,392**	79,199
	1,089,404	936,394

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

(b) Non-current assets

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Hong Kong	**532,566**	484,755
Mainland China	**14,149**	14,861
Latin America	**1,009,095**	—
Asian countries	**2,032,463**	2,098,891
Other countries	**62,496**	56,894
	3,650,769	2,655,401

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

4. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for trade discounts; and the fees earned from the provision of distributed power solutions, including the design, investment in, building, lease and operation of distributed power generation stations.

An analysis of revenue, and other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of goods	**647,230**	598,720
Provision of distributed power solutions	**442,174**	337,674
	1,089,404	936,394
Other income		
Bank interest income	**1,732**	5,403
Loan interest income	**4,108**	4,761
Income from contract assignment/novation	**—**	4,411
Rental income	**—**	420
Sales deposits forfeited	**11,050**	—
Government grants*	**84**	83
Others	**2,525**	269
	19,499	15,347
Gains		
Fair value gain on an investment property	**1,000**	—
Gain on debt extinguishment	**12,847**	—
	13,847	—
	33,346	15,347

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

5. Profit Before Tax

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation*	**105,405**	77,512
Fair value gain on an investment property	**(1,000)**	—
Fair value loss on derivative financial instrument — transaction not qualifying as hedge	**4,828#**	1,368#
Reversal of impairment of trade receivables	**(62)#**	(479)#
Foreign exchange difference, net	**36,250#**	60,266#
Equity-settled share option expense	**1,060**	2,268

* Included in the cost of sales for the period was depreciation charges of HK$100,388,000 (six months ended 30 June 2017: HK$75,819,000).

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 2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the period	**358**	2,692
Current — Elsewhere		
Charge for the period	**9,810**	5,089
Overprovision in prior periods	**(1,238)**	—
Deferred	**2,195**	370
Total tax charge for the period	**11,125**	8,151

7. Dividends

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2017:		
HK1.76 cents (year ended 31 December 2016: HK2.57 cents)		
per ordinary share	**44,887**	65,792
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2018:		
HK1.47 cents (six months ended 30 June 2017: HK1.47 cents)		
per ordinary share	**37,659**	37,632

Declaration of the interim dividend of HK1.47 cents per ordinary share in respect of the six months ended 30 June 2018 was approved by the board of directors on 31 August 2018. The interim dividend of HK1.47 cents per ordinary share in respect of the six months ended 30 June 2017 was approved by the board of directors on 28 August 2017.

The final dividend of HK1.76 cents per ordinary share in respect of the year ended 31 December 2017 was approved by the Company's shareholders at the annual general meeting held on 29 May 2018. The final dividend of HK2.57 cents per ordinary share in respect of year ended 31 December 2016 was approved by the Company's shareholders at the annual general meeting held on 29 May 2017.

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$155,063,000 (six months ended 30 June 2017: HK$150,223,000), and the weighted average number of ordinary shares of 2,550,429,989 (six months ended 30 June 2017: 2,561,356,179) in issue during the period, as adjusted to exclude the shares held by the trustee 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$155,063,000 (six months ended 30 June 2017: HK$150,223,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,550,429,989 (six months ended 30 June 2017: 2,561,356,179) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,369,707 (six months ended 30 June 2017: 1,356,179) assumed to have been issued at no consideration on the deemed exercise of all share options to subscribe for ordinary shares.

9. Property, Plant and Equipment

During the reporting period, the Group acquired property, plant and equipment of HK$920,620,000 (six months ended 30 June 2017: HK$192,400,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2017: Nil).

10. Interests in Joint Ventures

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Share of net assets	**234,197**	—

On 29 January 2018, the Company and CITIC Pacific Limited ("**CITIC Pacific**") through their respective subsidiaries, agreed to establish Tamar VPower Energy Fund I, L.P. ("**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 Company has committed an aggregate amount of US$80,000,000 (equivalent to HK$624,000,000) to subscribe for interest of the Fund through its own indirect wholly owned subsidiary and the special limited partner of the Fund. As at 30 June 2018, the Company has invested approximately HK$236,659,000 in the Fund.

11. Trade and Bills Receivables

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade and bills receivables	**1,055,220**	791,134
Impairment	**(9,612)**	(10,236)
	1,045,608	780,898

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

11. Trade and Bills Receivables (Continued)

An aged 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 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within 30 days	633,430	465,079
31 to 60 days	77,030	80,008
61 to 90 days	44,273	56,005
91 to 180 days	134,666	67,029
181 to 360 days	143,001	91,074
Over 360 days	13,208	21,703
	1,045,608	780,898

12. Trade and Bills Payables

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within 1 month	68,852	162,087
1 to 2 months	10,302	98,801
2 to 3 months	8,176	96,348
Over 3 months	249,678	546,839
	337,008	904,075

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

13. Interest-Bearing Bank and Other Borrowings

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Current		
Finance lease payables	117	239
Portions of bank loans due for repayment within one year — secured	193,734	110,343
Portions of bank loans due for repayment within one year — unsecured	1,315,805	206,360
Other borrowings — secured	179,025	215,450
	1,688,681	532,392
Non-current		
Finance lease payables	37	53
Portions of bank loans due for repayment after one year — secured	544,792	659,070
Portions of bank loans due for repayment after one year — unsecured	805,115	197,528
	1,349,944	856,651
	3,038,625	1,389,043

14. Senior Notes

On 2 February 2018, a 51% owned subsidiary issued senior notes with the principal amount of USD106.5 million (equivalent to HK$830.7 million) to the financial institution. The net proceeds, after deducting the issuance costs, amounted to USD100.6 million (equivalent to approximately HK$784.7 million). The senior notes will be matured on 2 February 2037.

15. Share Capital

Shares

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,561,858,000 (31 December 2017: 2,561,594,000) ordinary shares of HK$0.1 each	**256,186**	256,159

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

	Notes	Number ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2017		2,560,000,000	256,000
Share options exercised	*(a)*	1,594,000	159
At 31 December 2017 and 1 January 2018		2,561,594,000	256,159
Share options exercised	*(a)*	264,000	27
At 30 June 2018		2,561,858,000	256,186

(a) Share options with subscription rights to subscribe for 264,000 (31 December 2017: 1,594,000) shares were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 264,000 (31 December 2017: 1,594,000) ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$532,000 (31 December 2017: HK$3,213,000). An amount of HK$313,000 (31 December 2017: HK$1,903,000) 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.

16. Share Option Schemes

The Company operates a pre-initial public offering share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**") (collectively, the "**Schemes**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 as further detailed below.

Eligible participants of the Schemes include the Company's directors, employees, advisers, consultants and business partners of the Group. The Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted on 24 October 2016. The Share Option Scheme became effective on 24 November 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from 24 October 2016.

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

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

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Weighted average exercise price HK$ per share	Number of underlying shares issuable under the relevant options '000	Weighted average exercise price HK$ per share	Number of underlying shares issuable under the relevant options '000
At beginning of the period/year	2.016	4,968	2.016	6,670
Forfeited during the period/year	2.016	(26)	2.016	(108)
Exercised during the period/year	2.016	(264)	2.016	(1,594)
At end of the period/year	2.016	4,678	2.016	4,968

The weighted average share price at the date of exercise for share options exercised during the period was HK$5.05 per share (31 December 2017: HK$5.01 per share).

The Company had outstanding options to subscribe for 4,678,000 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 4,678,000 additional ordinary shares of the Company and additional share capital of HK$468,000 and share premium of HK$8,963,000 (before issue expenses).

17. Share Award Scheme

On 18 July 2017, the Company adopted a share award scheme (the "**Share Award Scheme**") for the purpose of recognising the contributions by certain eligible participants and providing them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Eligible participants of the Share Award Scheme include the Company's directors, senior management, other employees and consultants of the Group. The Share Award Scheme will remain in force for 10 years from 18 July 2017, unless otherwise cancelled or amended.

The maximum number of shares currently permitted to be granted under the Share Award Scheme is limited to 5% of the issued share capital of the Company at any time. The maximum number of shares which may be awarded to each eligible participant in the Share Award Scheme is limited to 1% of the issued share capital of the Company in each year.

The eligible participant for participation in the Share Award Scheme (the "**Selected Participant**") is selected and the number of shares to be awarded under the Share Award Scheme is determined by the board of directors. The shares to be awarded under the Share Award Scheme will be purchased by a trustee (the "**Trustee**") from the open market out of cash contributed by the Group and be held on trust for the Selected Participant until such shares are vested with the Selected Participant in accordance with the provisions of the Share Award Scheme.

The Trustee shall not exercise the voting rights in respect of any shares held on trust for the Group or the Selected Participant.

During the six months ended 30 June 2018, the Group purchased 1,173,000 shares (for the year ended 31 December 2017: 11,181,000 shares) of its own shares through the Trustee from open market. The total amount paid to acquire the shares was approximately HK$3,952,000 (for the year ended 31 December 2017: HK$54,171,000) and has been deducted from equity. As at 30 June 2018, such shares were classified as treasury shares of the Company as they were not yet vested.

The movements in the Company's shares held under the share award scheme during the period/year are as follows:

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Number of ordinary shares	**Total amount paid to the shares held under the share award scheme HK$'000**	Number of ordinary shares	Total amount paid to the shares held under the share award scheme HK$'000
At beginning of the period/year	**11,181,000**	**54,171**	—	—
Purchases of shares for the share award scheme	**1,173,000**	**3,952**	11,181,000	54,171
At end of the period/year	**12,354,000**	**58,123**	11,181,000	54,171

During the period, the Company did not award any shares to any eligible participant under the Share Award Scheme (31 December 2017: Nil).

18. Business Combination

On 2 February 2018, an indirect wholly owned subsidiary of the Company exercised an option granted under the convertible facility agreement to subscribe for 51% of the ordinary share in the capital of Genrent at an exercise consideration of US$4,600,000 (equivalent to HK$35,880,000). The consideration was satisfied by way of set-off against the same amount of outstanding loan under the convertible facility agreement and the deeds.

The Group has elected to measure the non-controlling interest in Genrent at the non-controlling interest's proportionate share of Genrent's identifiable net assets.

The fair values of the identifiable assets and liabilities of Genrent as at the date of acquisition, which are provisional amounts and are subject to the finalisation of the fair value estimation, were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	898,300
Concession rights	55,786
Cash and bank balances	58,050
Trade receivables	28,489
Inventories	5,733
Prepayments and other receivables	40,956
Accruals and other payables	(189,400)
Tax payable	(14,830)
Borrowings	(784,630)
Deferred tax liabilities	(7,975)
Total identifiable net assets at fair value	90,479
Non-controlling interests	(26,754)
Goodwill on acquisition	62,541
Total consideration	126,266
Satisfied by:	
Loan receivable	35,880
Derivative financial instrument — Option contract	90,386
	126,266

The fair values of the trade receivables, prepayments and other receivables as at the date of acquisition amounted to HK$28,489,000 and HK$40,956,000, respectively.

19. Operating Lease Arrangements

As lessee

The Group leases its office premises, factory premises, staff quarters, a motor vehicle and warehouse under operating lease arrangements. The leases are negotiated for terms ranging from one to five years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**10,317**	5,850
In the second to fifth years, inclusive	**14,046**	985
	24,363	6,835

20. Commitments

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Contracted, but not provided for:		
Power generation assets	**934,816**	934,816

21. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Rental expense paid to Orient Profit Investment Limited*	**480**	480
Income from contract assignment/novation to VPower Technology Chad Limited*^	**—**	4,411
Sales of goods to VPower Technology Company Limited*	**1,344**	1,148
Interest expense paid to non-controlling interests	**2,444**	—
Purchase of inventory from Telemenia Limited@	**566**	—
Interest income from a director#	**287**	—

* These related companies are controlled by either one of the controlling shareholders of the Company.

@ These related companies are fellow subsidiaries of the Group's non-controlling interests.

^ The Group assigned/novated a distributive power generation contract to VPower Technology Chad Limited for a contingent consideration of HK$0.066 per kWh of electricity generated by the project in Chad since 1 January 2015.

Interest income was received from a director pursuant to a loan advanced to a director which bore interest at 6% per annum. The loan was repaid in full on 28 May 2018.

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

(b) Commitments with a related company

On 1 April 2015, a tenancy agreement in respect of a residential property was entered into between VPower Holdings Limited and Orient Profit Investment Limited for three years for a fixed annual rent of HK$960,000. The three-year tenancy agreement has been further renewed for nine months from 1 April 2018 to 31 December 2018 at a monthly rental of HK$80,000.

21. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**12,830**	11,360
Post-employment benefits	**81**	72
Equity-settled share option expense	**516**	682
Total compensation paid to key management personnel	**13,427**	12,114

22. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 31 August 2018.

OTHER INFORMATION

Interim Dividend

The Board of the Company has resolved to declare an interim dividend of HK1.47 cents per share for six months ended 30 June 2018 payable on Thursday, 4 October 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 19 September 2018.

Use of Proceeds from Global Offering

Intended use of net proceeds ("**Net Proceeds**") as stated in the prospectus of the Company in respect of its global offering issued on 14 November 2016 ("**Prospectus**")	Net Proceeds (HK$ million)	Actual use of proceeds up to 31 December 2017 (HK$ million)	Unutilised amount as at 31 December 2017 (HK$ million)	**Actual use of proceeds from 1 January to 30 June 2018 (HK$ million)**	**Unutilised amount as at 30 June 2018 (HK$ million)**
— Developing and investing for IBO business					
(a) for expanding into new markets (such as Africa, the Middle East and China)	455.1	(399.4)	55.7	**(55.7)**	**–**
(b) for projects in our existing markets	379.2	(379.2)	–	**–**	**–**
— Expansion of SI business					
(a) budget for purchasing engines and ancillary equipment by the end of 2017	75.9	(75.9)	–	**–**	**–**
(b) (i) enhancing our assembly line for system integration; (ii) remuneration for additional system integration, sales and services staff and (iii) research and development for CHP and power generation using new forms of gas by the end of 2018	227.5	(103.6)	123.9	**(123.9)**	**–**
— Developing domestic and overseas offices and technical support facilities as well as strengthening presence in key markets for SI and IBO businesses	151.7	(90.3)	61.4	**(61.4)**	**–**
— Research and development activities	75.9	(44.3)	31.6	**(31.6)**	**–**
— Working capital and other general corporate purposes	151.7	(151.7)	–	**–**	**–**
Total	1,517.0	(1,244.4)	272.6	**(272.6)**	**–**

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

The Board is not aware of any material change to the planned use of Net Proceeds as at the date of this report.

Corporate Governance

Throughout the six months ended 30 June 2018, the Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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 2018.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the share award scheme adopted by the Company on 18 July 2017, pursuant to the terms of the rules and trust deed of the share award scheme, purchased on the Stock Exchange a total of 1,173,000 ordinary shares of the Company at a total consideration of HK$3,952,000.

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 2018 including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2018.

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

As at 30 June 2018, 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 Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held *(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	70.52%
	Beneficial owner	1,283,000	265,000	1,548,000	0.06%
	Interest of spouse	130,000	260,000	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	15,736,463	260,000	15,996,463	0.62%
CHAN Mei Wan	Beneficial owner	130,000	260,000	390,000	0.02%
("**Ms. CHAN**") *(Note 4)*	Interest of spouse	1,807,916,881	265,000	1,808,181,881	70.58%

Notes:

1. 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 2018.

2. Based on 2,561,858,000 shares of the Company in issue as at 30 June 2018.

3. 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 had options granted under the Pre-IPO Share Option Scheme to subscribe for 398,000 shares in the Company. 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.

4. Ms. CHAN had options granted under the Pre-IPO Share Option Scheme to subscribe for 390,000 shares in the Company. 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. On 11 August 2017, Ms. CHAN was appointed as the director of Energy Garden Limited.

5. 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 in the section headed "Share Option Schemes" below.

(ii) Interest in Associated Corporation

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 2018, none of the Directors or the chief executive 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 the directors, employees, advisers, consultants and business partners of the Group (the "**Eligible Participant**") for their contribution, and to align 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 (the "**Grantees**") on or before 1 November 2016, no further options have been or will 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 for the global offering of the Company in November 2016.

As at 30 June 2018, the Company had outstanding options to subscribe for 4,678,000 ordinary shares of the Company under the Pre-IPO Share Option Scheme, representing approximately 0.18% of the issued share capital of the Company as at 30 June 2018.

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 2018 (the "**Period**") are as follows:

			Number of shares to be issued upon exercise of the share options				
Grantee	**Date of grant** (dd.mm.yyyy)	**Exercise price per share** HK$	**Outstanding as at 01.01.2018**	**Cancelled or forfeited during the Period**	**Exercised during the Period**	**Outstanding as at 30.06.2018**	**Exercise period** (dd.mm.yyyy)
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	01.11.2016	2.016	132,000	—	—	132,000	24.11.2018–23.11.2021
Jason	01.11.2016	2.016	131,000	—	—	131,000	24.11.2019–23.11.2022
AU-YEUNG Tai	01.11.2016	2.016	132,000	—	—	132,000	24.11.2018–23.11.2021
Hong Rorce	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
Sub-total			1,311,000	—	—	1,311,000	
Consultants	01.11.2016	2.016	58,000	—	(41,000)	17,000	24.11.2017–23.11.2020
	01.11.2016	2.016	57,000	—	—	57,000	24.11.2018–23.11.2021
	01.11.2016	2.016	55,000	—	—	55,000	24.11.2019–23.11.2022
Employees	01.11.2016	2.016	562,000	—	(223,000)	339,000	24.11.2017–23.11.2020
	01.11.2016	2.016	1,471,000	(13,000)	—	1,458,000	24.11.2018–23.11.2021
	01.11.2016	2.016	1,454,000	(13,000)	—	1,441,000	24.11.2019–23.11.2022
Sub-total			3,657,000	(26,000)	(264,000)	3,367,000	
Grand-total			4,968,000	(26,000)	(264,000)	4,678,000	

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 Participant for their contribution, and to align 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 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 from time to time.

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. Participants of the Share Option Scheme are required to pay HK$1 and submit to the Company a duly signed offer letter as the consideration for the grant. 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 of the Company 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 of the Company as stated in the Stock Exchange's daily quotation sheets for the five (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 2018, no option had been granted by the Board under the Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in notes 16 and 17 to the financial statements.

Share Award Scheme

The Company has adopted the share award scheme on 18 July 2017 (the "**Share Award Scheme**") to recognise the contributions by any individual being an employee (including without limitation any executive director) or consultant of any member of the Group. Subject to any early termination as may be determined by the Board, pursuant to the rules relating to the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The Board shall not make any further award of awarded shares which will result in number of the Shares awarded by the Board under the Share Award Scheme exceeding five per cent (5%) of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed one per cent (1%) of the issued share capital of the Company from time to time.

As at 30 June 2018, no shares of the Company had been awarded by the Board under the Share Award Scheme.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the 2017 Annual Report of the Company are set out as below:

1. Mr. YEUNG Wai Fai Andrew ("**Mr. YEUNG**"), an Independent Non-Executive Director of the Company, has resigned as a deputy chairman and non-executive director of Qianhai Health Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 911) with effect from 29 June 2018; and

2. Mr. YEUNG has been appointed as a non-executive director of Huabang Financial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 3638) with effect from 29 June 2018.

Directors' Interests in Transaction, Arrangement or Contract of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted as at 30 June 2018 or at any time during the six months ended 30 June 2018.

Directors' Interests in Competing Business

As of the date of this report, so far as the Directors were aware, none of the Directors, and their respective close associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the reporting period.

Interests and Short Positions of Substantial Shareholders/Other Persons

As at 30 June 2018, so far as is known to the Directors and the chief executive of the Company, the interests and short positions of the substantial shareholders/other persons, other than Directors or chief executive officer 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	70.57%
Konwell Developments Limited ("**Konwell**")	Interest of a controlled corporation	1,806,633,881 *(Note 3)*	70.57%
Sunpower Global Limited ("**Sunpower**")	Interest of a controlled corporation	1,806,633,881 *(Note 4)*	70.57%
CITIC Group Corporation ("**CITIC Group**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
CITIC Polaris Limited ("**CITIC Polaris**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
CITIC Glory Limited ("**CITIC Glory**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
CITIC Limited ("**CITIC**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
CITIC Pacific Limited ("**CITIC Pacific**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
Master Wise Holdings Corp. ("**Master Wise**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	8.00%
Next Admiral Limited ("**Next Admiral**")	Beneficial owner	204,800,000	8.00%

Notes:

1. All the above interests in the shares and underlying shares of the Company were long positions.

2. Based on 2,561,858,000 shares of the Company in issue as at 30 June 2018.

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. Mr. LAM had options granted under the Pre-IPO Share Option Scheme to subscribe for 398,000 shares of the Company. Mr. LAM is the spouse of Ms. CHAN. 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.

   Ms. CHAN is interested in options granted under the Pre-IPO Share Option Scheme to subscribe for 390,000 shares of the Company. Ms. Chan is the spouse of Mr. LAM. Under the SFO, Ms. CHAN is deemed to be interested in the same number of shares in the Company in which her 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 2018, 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 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.

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 PGSs; 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 SHARHOLDERS" in the prospectus of the Company dated 14 November 2016 by Sharkteeth 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 ten per cent. 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 ten per cent. of its consolidated turnover or consolidated assets, as shown in its latest audited accounts; and

(c) the Forgone Business Opportunity (as defined below) which the Company has confirmed that it does not intend to pursue.

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 Hong Kong 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 per cent. or more of the entire issued share capital of the Company.

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 and in the following manner:

Right to Acquire the Excluded Business and Forgone Business Opportunity from Controlling Shareholders

To eliminate any potential competition, the Controlling Shareholders has 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:

- Upon Listing, the Company shall be entitled, but not obliged to, by serving notice to Sharkteeth, purchase all or part of the shares in VPower Technology Chad (the "**Chad Call Shares**") which are held by Sharkteeth (the "**Chad Call Option**") through itself or any member of the Group.

- The Company shall be entitled, but not obliged to, by serving notice to the relevant Controlling Shareholder, purchase all or part of the shares in the entity holding the Forgone Business Opportunity (the "**Other Call Shares**") which are held by the relevant Controlling Shareholder (the "**Other Call Option**") through itself or any member of the Group.

Given the Group has entered into the Project Income Agreement with VPower Technology Chad pursuant to which the Company will receive shared revenue from its project in Chad on a semi-annual basis and the Controlling Shareholders has committed to engage the Group to undertake the operation of the Forgone Business Opportunity through entering into servicing agreement with a member of the Group, the Company will be able to track the status and performance of these projects that are managed by the Company and will be in a position to determine whether such projects meet our investment criteria.

Our exercising of such acquisition right will be subject to the agreement on the terms and price to be negotiated by the parties in good faith and on arm's length basis, which may vary depending on the performance and potential of such projects. These acquisitions will also be subject to the compliance with the applicable laws and regulations (including but not limited to the Listing Rules). The Independent Board will be responsible for considering and determining whether and when to exercise our right of acquisition having regard to the interests of the Company and Shareholders as a whole.

- provide all information requested by the Company (or its auditors) which is necessary for an annual review by the Independent Non-Executive Directors of its compliance with the Deed of Non-competition and the enforcement of the same;

- procure the Company to disclose decisions on matters reviewed by the Independent Non-Executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and

- upon the request of the Company, provide a written confirmation in respect of its compliance and that of its associates with the non-competition undertakings under the Deed of Non-competition and consent to the inclusion of such confirmation in the Company's annual report.

By Order of the Board
LAM Yee Chun
Executive Chairman

Hong Kong, 31 August 2018

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

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

CORPORATE INFORMATION

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