

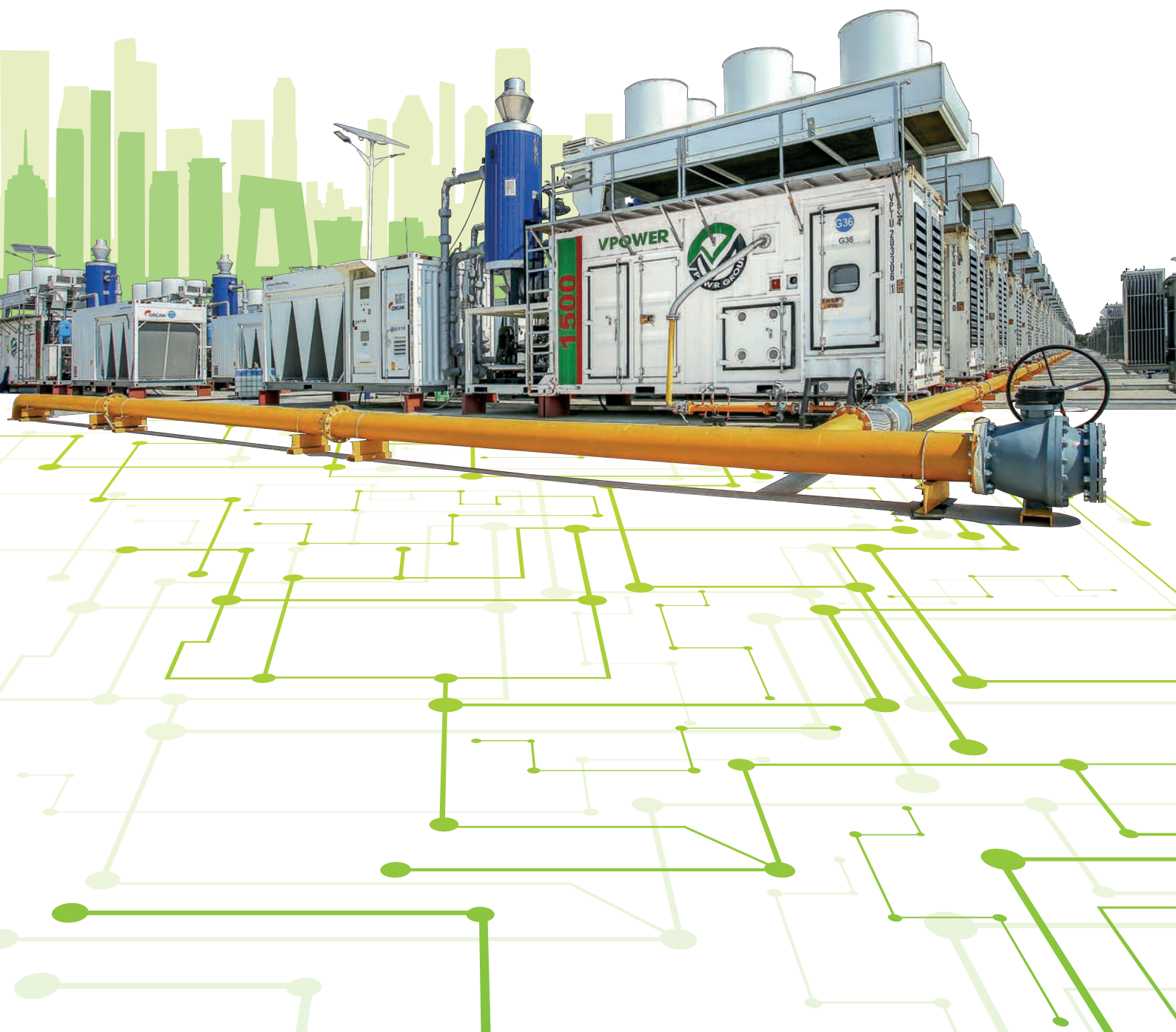


VPower Group International Holdings Limited
偉能集團國際控股有限公司

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


Stock Code: 1608

INTERIM REPORT 2019



COMPANY PROFILE

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




We deliver much-in-demand electricity to keep industries running and power the regional economic growth through (1) designing, integrating and selling gen-sets and power generation systems that primarily run on natural gas or diesel, (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 and power and power generation using new forms of fuel; develop a new generation of gen-sets that are more fuel efficient and establish joint ventures to enhance our technological leadership and grow our business.

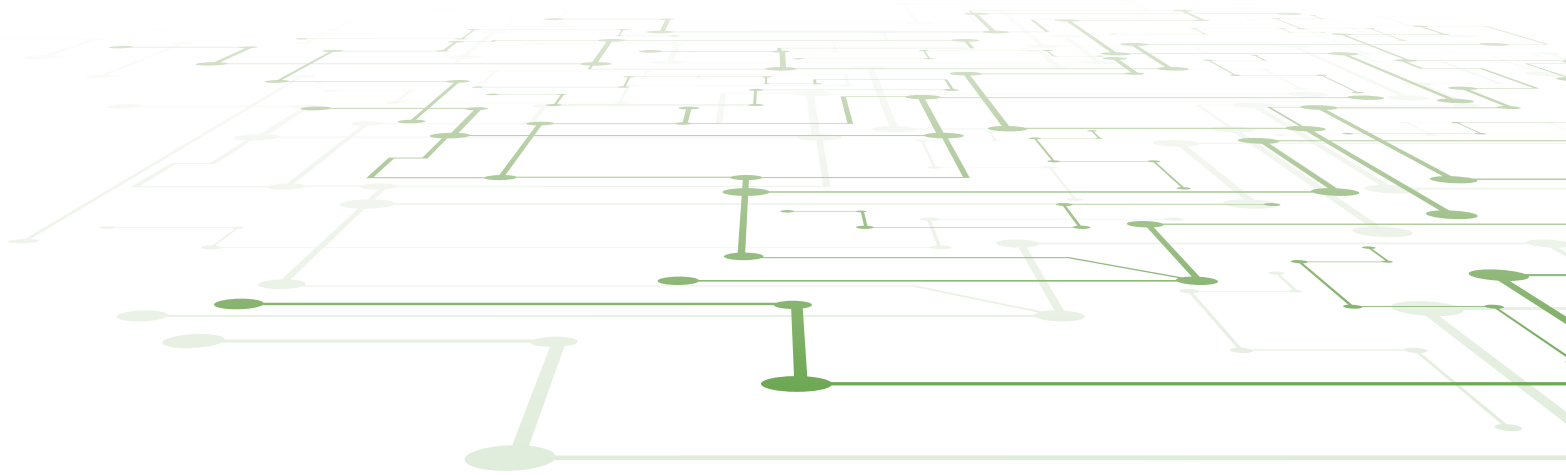
We seek to build on our proprietary system designs and integration capabilities and the market network developed over the past 20 years to effectively manage the risks and improve the efficiency of our IBO business’s expansion into new markets, and to continue to deliver efficient solutions and build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

We power the world, and lighten up possibilities.



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MARKET REVIEW

The global energy transformation continued in the first half of 2019 despite of the complex and challenging macroeconomic environment. Decentralisation, decarbonization and digitalization remained as the key topics driven by the motivations to combat climate change and foster sustainable growth. Distributed power generation market, in particular engine-based power generation, gained more momentum with expanding scope of applications, covering power rental, backup power, peak shaving, fast-track small to medium scale utilities and power reserve market.

The solid power demand growth and power deficit continued to affect most of the emerging countries such as Myanmar, Indonesia and Sri Lanka, resulting in an increasing number of DPG project tenders issued by the governments to boost power supply. Our lower capital required, flexible, fast-track DPG solutions continued to play a vital role in bridging the demand and supply gap in these countries.

BUSINESS REVIEW

System Integration (“SI”) Business

We maintained our leadership in the global SI market, and recorded a revenue of HK\$688.8 million in the first half of 2019 (corresponding period in 2018: HK\$647.2 million), representing a growth of 6.4%, which was mainly attributable to the increase in orders from the United Kingdom.

Invest, Build and Operate (“IBO”) Business

In the first half of 2019, we continued our strategy to build a global business network by penetrating our existing IBO markets, and enhancing our efforts in extending market presence in new IBO markets simultaneously.

Myanmar, being one of our focus of operating countries along the Belt and Road Initiative, is undergoing electricity deficit due to accelerating local economic development and unfavorable weather conditions. Policies have been put in place to ensure electricity supply growth by encouraging foreign investors and introducing more efficient power solutions. In February 2019, our fourth distributed power station in the country commenced commercial operation, which further consolidated our leadership as an independent power producer in Myanmar. It is a 109.7MW gas-fired project with a contract term of five years (“**Myingyan II Project**”). To enhance the energy efficiency, we installed modular organic rankine cycle (“**ORC**”) system to our project for conversion of waste heat into electricity. In March 2019, we had another 4.7MW gas-fired project, with a contract term of four years (“**Yangon Project**”) commenced commercial operation.

In Indonesia, we secured a gas-fired project of 18.7MW planned installed capacity with a right of first refusal to supply additional power by increasing the contract capacity up to 60MW for a contract term of 15 years (“**Dumai Project**”). The project, which will be operated in island mode, is expected to commence commercial operation in the fourth quarter of 2019.

Seeing the growth in electricity demand and business opportunities in Sri Lanka, we entered the market in the first half of 2019 through public tenders. The two projects with a total installed capacity of 54.9MW are currently in commercial operation.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table shows our DPG projects in operation as of the date of this report:

Projects	Installed capacity (MW) ⁽¹⁾	Contract length (months) ⁽²⁾	Location
Teluk Lembu I	20.3	12	Indonesia
Teluk Lembu II	65.8	— ⁽³⁾	Indonesia
Jambi	56.4	60	Indonesia
Medan ⁽⁴⁾	54.0	12	Indonesia
Rengat	20.3	36	Indonesia
<i>Subtotal</i>	216.8		
Kyauk Phyu I	49.9	60	Myanmar
Kyauk Phyu II	49.9	60	Myanmar
Myingyan I	149.8	60	Myanmar
Myingyan II	109.7	60	Myanmar
Yangon	4.7	48	Myanmar
<i>Subtotal</i>	364.0		
Iquitos ⁽⁵⁾	79.8	240	Peru
Shandong I	8.2	180	China
Shandong II ⁽⁶⁾	6.2	180	China
<i>Subtotal</i>	14.4		
Hambantota	28.1	6	Sri Lanka
Horana	26.8	6	Sri Lanka
<i>Subtotal</i>	54.9		
Total	729.9		

Notes:

- (1) Installed capacity refers to the maximum power generating capacity of the DPG station based on an aggregate capacity of power generation systems installed.
- (2) Contract length refers to the term of the contract entered into by the Group in respect of the DPG projects.
- (3) We are in process of contract renewal.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) The Medan project consists of Aceh, Tanjung Belit, Tembilahan and Kota Tengah DPG stations.
- (5) We hold 51% equity interest of the project company that owns and operates the Iquitos Project.
- (6) The Shandong II project is under trial operation.

Our IBO business segment recorded a revenue growth of 16.4% to HK\$514.7 million for the first half of 2019 (corresponding period in 2018: HK\$442.2 million). The increase was primarily due to the increased revenue contribution of the Iquitos Project and the contribution of the newly added Myingyan II project, which was partially offset by the off-hires of two projects in Indonesia and Bangladesh respectively.

The following table shows our potential projects, for which we have won public tenders or entered into binding contracts for operation or acquisition and have commenced planning and development, as of the date of this report:

Projects	Planned installed capacity (MW)	Location
Dumai	18.7 ⁽¹⁾	Indonesia
Amazonas State	70.3	Brazil
Doncaster	20.3	United Kingdom
UK	132.0	United Kingdom
China Biogas	12.4	China
Ghana	56.2	Ghana
Total	309.9	

Note:

- (1) Under the relevant power purchase agreement, we are granted a right of first refusal to supply additional power by increasing the contract capacity up to 60MW.

In addition, as of the date of this report, we are under advanced stage of negotiation for projects over 1,200MW planned installed capacity in certain Asian countries and the United Kingdom. Fuel source of these projects varies and includes liquified natural gas ("LNG"), natural gas and biogas. We expect to develop and operate certain of these potential projects with our strategic partner(s) through joint venture arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

To meet global climate objectives including the Sustainable Development Goals as set out by the United Nations, we expect the global energy transformation will continue to accelerate in the foreseeable future. Deployment of cleaner power solutions to replace older coal-fired power generation is expected to increase. We are seeing increasing demand for DPG solutions given the continuing structural power deficit in emerging markets and growing power reserve demand to stabilize and balance local power grid in developed markets.

With the efforts in past years, we have developed a geographically diversified business platform for sustainable development. In the second half of 2019, we will continue to focus on materializing the projects on our pipeline. Power shortage remains a major problem for emerging countries. In Myanmar, we are seeing the government making progress to improve the electricity supply for the communities with plenty of forthcoming larger-scale LNG and natural gas projects. Backed by the favorable policies and government motivation, we look forward to making further contributions to their electrification. In Latin America, we expect our first project in Brazil to commence commercial operation in the second half of 2019.

In developed markets, such as the United Kingdom, growing demand for power reserve to alleviate the risk of renewable power supply instability is evident. It represents an opportunity for the Group to seize the market potentials by offering our small-scale, cost-effective, flexible and responsive DPG solutions to help balance and stabilize the national grid system. Our first project is expected to commence commercial operation towards the end of 2019.

We also expect to see fuel mix revamping in various markets due to different reasons, including fuel availability, fuel reliability and consideration over carbon emission. Other than the expansion of renewables, LNG will be another key source of power generation in the future given its ease of transportation as well as safer and more environmentally-friendly nature as compared to coal. According to market research, LNG demand is expected to reach about 384 million tonnes in 2020 led by Asian countries and will continue to rise until stabilizes in 2035. To capture the trend, we would also look into the LNG market, and explore opportunities to provide LNG to power solutions.

In light of the distinctive market characteristics and potentials, we will formulate appropriate strategy and structure for each market and if needed, each project to ensure we could prioritize our resources for the best performance. We may consider good synergistic acquisition opportunities emerging from industry consolidation in some mature markets, and also mutual beneficial partnership and project level collaboration. We will also continue to seek for attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative through Tamar VPower Energy Fund I.

In conclusion, the global power market is evolving towards decentralization, decarbonization and digitalization. With our excellent track record in fast-track DPG projects globally, we are confident to capture the business opportunities for DPG solutions either by ourselves or together with our strategic partners in a sustainable future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group was mainly derived from: (i) SI business by providing gen-sets and power generation systems (“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	
	2019	2018
	HK\$'000	HK\$'000
SI	688,758	647,230
IBO	514,684	442,174
Total	1,203,442	1,089,404

In the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$1,203.4 million, representing an increase of 10.5% as compared with approximately HK\$1,089.4 million of the corresponding period in 2018. The increase in revenue was mainly due to the growth of IBO business.

Revenue by geographical locations

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

	Six months ended 30 June			
	2019		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Hong Kong	58,141	4.8	68,978	6.3
Mainland China	52,049	4.3	193,706	17.8
Asian countries ⁽¹⁾	455,885	37.9	383,153	35.2
Other countries ⁽²⁾	122,683	10.2	1,393	0.1
Total	688,758	57.2	647,230	59.4

Notes:

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

(2) Other countries include United Kingdom, Mexico and certain countries in Africa.

MANAGEMENT DISCUSSION AND ANALYSIS

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			
	2019		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Indonesia	73,850	6.2	89,067	8.2
Bangladesh	—	—	37,147	3.4
Peru	214,186	17.8	142,065	13.0
Myanmar	214,786	17.8	173,895	16.0
Other countries	11,862	1.0	—	—
Total	514,684	42.8	442,174	40.6

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 PGs. 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\$806.4 million for the six months ended 30 June 2019, representing an increase of HK\$90.9 million as compared with approximately HK\$715.5 million of the corresponding period in 2018. The increase was due to the growth of our SI and IBO businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

	Six months ended 30 June			
	2019		2018	
	HK\$'000	gross profit margin %	HK\$'000	gross profit margin %
SI	158,166	23.0	147,229	22.7
IBO	238,875	46.4	226,662	51.3
Total	397,041	33.0	373,891	34.3

Gross profit of the Group was approximately HK\$397.0 million for the six months ended 30 June 2019, representing an increase of 6.2% as compared with approximately HK\$373.9 million of the corresponding period in 2018. Gross profit margin for the six months ended 30 June 2019 decreased to 33.0% from 34.3% for the six months ended 30 June 2018 which was mainly attributable to the increase in pass-through fuel cost in IBO business.

Profit before tax

Profit before tax for the six months ended 30 June 2019 was approximately HK\$156.8 million, representing a decrease of 3.2% as compared with approximately HK\$162.0 million of the corresponding period in 2018. The decrease was mainly due to (i) a decrease in other income and gains; and (ii) an increase in finance costs as a result of increase in interest-bearing bank and other borrowings.

Other income and gains

In the six months ended 30 June 2019, other income and gains of the Group amounted to approximately HK\$8.4 million, representing a decrease of 74.8% as compared with approximately HK\$33.3 million of the corresponding period in 2018. The reason for the decrease was that we recorded substantial gain on debt extinguishment and forfeiture of sales deposits in the six months ended 30 June 2018 as a result of certain non-recurrent events but there was no such events which resulted in other income or gain of a significant amount during the six months ended 30 June 2019.

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 decreased by 11.6% from approximately HK\$12.1 million for the six months ended 30 June 2018 to HK\$10.7 million for the six months ended 30 June 2019. The decrease was mainly due to better cost control in six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019, administrative expenses of the Group were approximately HK\$117.6 million, representing an increase of 7.1% as compared with that of HK\$109.8 million in the corresponding period of 2018. The increase was mainly due to increase in expenses incurred for expansion of overseas businesses.

Other expenses, net

In the six months ended 30 June 2018, other expenses, net of the Group primarily consist of unrealised foreign exchange loss on realignment of trade payable and bank borrowings. In the six months ended 30 June 2019, no other expenses, net was incurred.

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 2019, finance costs were approximately HK\$117.7 million, which represented an increase of 47.5% over that of approximately HK\$79.8 million in the corresponding period of 2018. The increase was primarily due to increase in the interest payments for the senior notes issued by a non-wholly owned subsidiary and 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 2019, income tax expense was approximately HK\$14.1 million, representing an increase of 27.0% as compared with that of approximately HK\$11.1 million in the corresponding period of 2018, and our effective tax rate was 9.0% and 6.9% for the six months ended 30 June 2019 and 2018, respectively. Both increases were primarily due to the increase in tax expense incurred in Hong Kong in the six months ended 30 June 2019.

Profit Attributable to Owners and Earnings per Share

In the six months ended 30 June 2019, profit attributable to owners of the Company was approximately HK\$142.7 million, representing a decrease of approximately HK\$12.4 million or approximately 8.0% as compared with that of approximately HK\$155.1 million in the corresponding period of 2018.

Basic earnings per share for the six months ended 30 June 2019 were HK5.60 cents as compared with that of HK6.08 cents in the corresponding period of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial and Capital Resources

As at 30 June 2019, total current assets of the Group amounted to approximately HK\$4,651.1 million (31 December 2018: HK\$4,447.0 million). In terms of financial resources as at 30 June 2019, cash and cash equivalents of the Group were approximately HK\$823.4 million (31 December 2018: HK\$541.4 million).

As at 30 June 2019, total bank and other borrowings and senior notes of the Group amounted to approximately HK\$4,216.3 million (31 December 2018: HK\$3,755.8 million), representing an increase of approximately 12.3% as compared to that as of 31 December 2018. The Group's bank and other borrowings include short term loans with 1-year maturity and term loans with maturity within 3 years. As at 30 June 2019, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars and Euro were approximately HK\$3,607.0 million (31 December 2018: HK\$3,284.0 million), HK\$436.6 million (31 December 2018: HK\$409.2 million) and approximately HK\$172.7 million (31 December 2018: HK\$62.6 million), respectively.

In June 2019, the Group had drawn a new unsecured US\$130 million three-year term loan facility with a group of four international banks to refinance bank loans maturing in 2019 and 2020. The increase in cash and cash equivalents was mainly due to the Group's internally generated cash flows from operation and cash drawn under the aforesaid term loan facility.

As at 30 June 2019, the Group's current ratio was 1.5 (31 December 2018: 1.4). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 67.6% (31 December 2018: 64.6%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 63.8% (31 December 2018: 58.9%). The Group's net gearing ratio, which is calculated as a percentage of total interest-bearing bank and other borrowings and senior notes less cash and cash equivalents, pledged deposits and restricted cash to shareholders' equity was approximately 120.2% (31 December 2018: 117.9%). The net gearing ratio, adjusted by excluding the senior notes issued by the non-wholly owned subsidiary which are non-recourse to the Company and any other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 94.9% (31 December 2018: 91.0%).

Charge of Assets

As at 30 June 2019, the Group had charged certain property, plant and equipment with a net book value of approximately HK\$561.5 million (31 December 2018: HK\$565.8 million) and pledged deposits of HK\$6.1 million (31 December 2018: HK\$48.4 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\$841.5 million (31 December 2018: HK\$862.0 million) and restricted cash of HK\$95.1 million (31 December 2018: HK\$81.2 million) as security for the senior notes issuance of such subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure on Foreign Exchange Fluctuations

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

The Group is exposed to foreign exchange risk through sales and purchase that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, IDR, RMB, MMK and GBP. A majority of the Group's purchases are either in Euro or U.S. dollar. During the six months ended 30 June 2019, 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 risk and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

As at 30 June 2019, the Group had contingent liabilities of HK\$43.9 million (31 December 2018: HK\$24.1 million).

Capital Expenditures

For the six months ended 30 June 2019, the Group invested approximately HK\$736.7 million (for the year ended 31 December 2018: HK\$1,012.1 million).

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2019, the Group had not made any material acquisitions and disposal of subsidiaries, associates and joint ventures.

EMPLOYEES

As at 30 June 2019, the Group had 402 employees (31 December 2018: 371). 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 2019, the Group provided internal and external training (e.g. orientation training, on-the-job training, product training and site safety training) to enrich the knowledge and skills of employees.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	4	1,203,442	1,089,404
Cost of sales		(806,401)	(715,513)
Gross profit		397,041	373,891
Other income and gains	4	8,411	33,346
Selling and distribution expenses		(10,725)	(12,053)
Administrative expenses		(117,590)	(109,833)
Other expenses, net		—	(41,111)
Finance costs		(117,711)	(79,786)
Share of profits and losses of joint ventures		(2,618)	(2,462)
PROFIT BEFORE TAX	5	156,808	161,992
Income tax	6	(14,125)	(11,125)
PROFIT FOR THE PERIOD		142,683	150,867
Attributable to:			
Owners of the Company		142,688	155,063
Non-controlling interests		(5)	(4,196)
		142,683	150,867
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK5.60 cents	HK6.08 cents
Diluted		HK5.60 cents	HK6.07 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	142,683	150,867
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	181	(2,118)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	—	1,063
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	181	(1,055)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	142,864	149,812
Attributable to:		
Owners of the Company	142,922	153,638
Non-controlling interests	(58)	(3,826)
	142,864	149,812

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,563,498	1,811,786
Investment property		25,000	25,000
Right-of-use assets		19,448	—
Goodwill		81,489	81,489
Other intangible assets		93,645	86,296
Interests in joint ventures	10	778,077	762,918
Deposits and other receivables		237,356	164,292
Deferred tax assets		14,584	15,465
Total non-current assets		3,813,097	2,947,246
CURRENT ASSETS			
Inventories		1,018,429	1,249,430
Trade and bills receivables	11	1,150,360	1,071,077
Prepayments, deposits, other receivables and other assets		576,625	445,939
Due from related companies		84	579
Tax recoverable		24,085	52,022
Restricted cash		95,108	81,209
Pledged deposits		6,076	48,443
Cash and cash equivalents		823,389	541,353
Assets held for sales	18	3,694,156	3,490,052
		956,929	956,929
Total current assets		4,651,085	4,446,981
CURRENT LIABILITIES			
Trade and bills payables	12	250,458	394,801
Other payables and accruals		652,207	492,884
Senior notes	13	10,608	6,268
Interest-bearing bank and other borrowings	14	2,119,214	2,384,499
Tax payable		2,032	6,024
Provision for restoration		5,701	3,249
Total current liabilities		3,040,220	3,287,725
NET CURRENT ASSETS		1,610,865	1,159,256
TOTAL ASSETS LESS CURRENT LIABILITIES		5,423,962	4,106,502

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payables		548,602	73,491
Senior notes	13	776,761	779,622
Interest-bearing bank and other borrowings	14	1,309,685	585,434
Provision for restoration		31,035	31,480
Deferred tax liabilities		19,405	20,121
Total non-current liabilities		2,685,488	1,490,148
Net assets		2,738,474	2,616,354
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	256,223	256,207
Reserves		2,444,170	2,313,993
Non-controlling interests		2,700,393	2,570,200
		38,081	46,154
Total equity		2,738,474	2,616,354

Lam Yee Chun
Director

Au-Yeung Tai Hong Rorce
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2018		256,159	1,510,042	(15,458)	147,749	3,395	(64,171)	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
At 31 December 2018		256,207	1,511,548	(15,458)	147,749	4,895	(58,122)	17,062	21,088	(17,173)	702,404	2,570,200	46,154	2,616,354
Effect of adoption of HKFRS 16		–	–	–	–	–	–	–	–	–	(457)	(457)	–	(457)
At 1 January 2019 (restated) (unaudited)		256,207	1,511,548	(15,458)	147,749	4,895	(58,122)	17,062	21,088	(17,173)	701,947	2,569,743	46,154	2,615,897
Profit for the period		–	–	–	–	–	–	–	–	–	142,688	142,688	(5)	142,683
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	234	–	234	(53)	181
Total comprehensive income for the period		–	–	–	–	–	–	–	–	234	142,688	142,922	(58)	142,864
2018 final dividend	7	–	–	–	–	–	–	–	–	–	(12,239)	(12,239)	–	(12,239)
Acquisition of non-controlling interests		–	–	–	(763)	–	–	–	–	–	–	(763)	(8,015)	(8,778)
Issue of shares upon exercise of share option		16	489	–	–	(190)	–	–	–	–	–	315	–	315
Equity-settled share option arrangement		–	–	–	–	415	–	–	–	–	–	415	–	415
At 30 June 2019		256,223	1,512,037*	(15,458)*	146,986*	5,120*	(58,122)*	17,062*	21,088*	(16,939)*	832,396*	2,700,393	38,081	2,738,474

* These reserve accounts comprise the consolidated reserves of HK\$2,444,170,000 (31 December 2018: HK\$2,313,993,000) in the consolidated statement of financial position as at 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities	98,069	(632,496)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(13,782)	(880,828)
Increase in deposits paid for purchases of property, plant and equipment	(134,623)	(57)
Decrease in pledged deposits	42,364	106,072
Investment in joint ventures	(17,777)	(236,659)
Others	(30,976)	24,011
Net cash flows used in investing activities	(154,794)	(987,461)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	2,164,000	1,841,019
Repayment of bank borrowings	(1,708,596)	(158,469)
Others	(112,063)	(118,666)
Net cash flows from financing activities	343,341	1,563,884
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	286,616	(56,073)
Cash and cash equivalents at beginning of period	541,353	1,033,502
Effect of foreign exchange rate changes, net	(4,580)	(1,806)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	823,389	975,623
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	823,389	975,623

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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 2019, 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	<i>Amendments to HKRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

2. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies and Disclosures (Continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases* and Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies and Disclosures (Continued)

(a) *Adoption of HKFRS 16 (Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) lease of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the leases term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continued to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited) HK\$'000
Assets	
Increase in right-of-use assets	18,255
Decrease in property, plant and equipment	(432)
Increase in total assets	17,823
Liabilities	
Increase in lease liabilities	19,384
Decrease in other payables and accruals	(1,104)
Increase in total liabilities	18,280
Decrease in retained profits	457

NOTES TO FINANCIAL STATEMENTS

30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies and Disclosures (Continued)

(a) *Adoption of HKFRS 16 (Continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

Significant judgement in determining the lease term of contracts with renewal options (Continued)

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the unaudited condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables"), and the movement during the period are as follow:

	Right-of-use	
	assets	Lease liabilities
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
As at 1 January 2019	18,255	19,384
Additions	6,156	6,156
Depreciation charge	(4,950)	—
Interest expense	—	518
Payments	—	(5,501)
Exchange realignment	(13)	(13)
As at 30 June 2019	19,448	20,544

The Group recognised rental expenses from short-term leases of HK\$1,194,000 for the six months ended 30 June 2019.

(b) Adoption of Amendments to HKAS 28

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's unaudited condensed consolidated financial information.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2019 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	688,758	514,684	1,203,442
Intersegment sales	2,546	—	2,546
	691,304	514,684	1,205,988
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,546)
Revenue			1,203,442
Segment results	123,627	195,309	318,936
<i>Reconciliation:</i>			
Elimination of intersegment results			(59)
Bank interest income			703
Corporate and unallocated expenses, net			(45,061)
Finance costs			(117,711)
Profit before tax			156,808
Segment assets	2,122,144	4,556,818	6,678,962
<i>Reconciliation:</i>			
Corporate and unallocated assets			1,785,220
Total assets			8,464,182
Segment liabilities	1,043,460	441,847	1,485,307
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			4,240,401
Total liabilities			5,725,708
Other segment information:			
Reversal of impairment of trade receivables	(289)	—	(289)
Depreciation*	7,426	73,116	80,542
Amortisation of intangible assets	—	1,426	1,426
Capital expenditure	2,820	733,897	736,717

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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
<i>Reconciliation:</i>			
Elimination of intersegment sales			(8,504)
Revenue			1,089,404
Segment results	92,848	182,123	274,971
<i>Reconciliation:</i>			
Elimination of intersegment results			(1,116)
Bank interest income			1,732
Corporate and unallocated expenses, net			(33,809)
Finance costs			(79,786)
Profit before tax			161,992
Other segment information:			
Reversal of impairment of trade receivables	(62)	—	(62)
Depreciation	2,660	101,556	104,216
Amortisation of intangible assets	—	1,189	1,189
Capital expenditure [#]	6,591	914,029	920,620
Year ended 31 December 2018 (audited)			
Segment assets	1,920,177	3,912,193	5,832,370
<i>Reconciliation:</i>			
Corporate and unallocated assets			1,561,857
Total assets			7,394,227
Segment liabilities	655,134	331,611	986,745
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			3,791,128
Total liabilities			4,777,873

[#] Capital expenditure includes addition of HK\$898.3 million property, plant and equipment arising from acquisition of a subsidiary.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Revenue from external customers*

	Six months ended 30 June	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong	58,141	68,978
Mainland China	61,722	193,706
Latin America	214,186	142,065
Asian countries	746,709	683,263
Other countries	122,684	1,392
	1,203,442	1,089,404

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

(b) *Non-current assets*

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Hong Kong	959,601	944,014
Mainland China	49,468	49,901
Latin America	1,081,749	1,021,570
Asian countries	1,591,016	823,340
Other countries	114,470	90,748
	3,796,304	2,929,573

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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 is as follows:

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the six months ended 30 June 2019 (unaudited)

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) *Disaggregated revenue information (Continued)*

For the six months ended 30 June 2018 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	646,455	—	646,455
Installation/construction services	775	—	775
Provision of distributed power solutions	—	442,174	442,174
Total revenue from contracts with customers	647,230	442,174	1,089,404
Timing of revenue recognition			
Goods transferred at a point in time	646,455	—	646,455
Services transferred over time	775	442,174	442,949
Total revenue from contracts with customers	647,230	442,174	1,089,404

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	4,537	28,906

NOTES TO FINANCIAL STATEMENTS

30 June 2019

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) *Performance obligations*

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

Sale of engine-based electricity generation units

The performance obligation is satisfied upon delivery of the engine-based electricity generation units and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Installation/construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation/construction and customer acceptance.

Provision of distributed power solutions

The performance obligation is satisfied over time when the energy is produced and delivered to the customer in accordance with the contractual arrangements.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other income		
Bank interest income	703	1,732
Loan interest income	941	4,108
Sales deposits forfeited	—	11,050
Government grants*	1,329	84
Others	1,390	2,525
	4,363	19,499
Gains		
Foreign exchange difference, net	3,759	—
Reversal of impairment of trade receivables	289	—
Fair value gain on an investment property	—	1,000
Gain on debt extinguishment	—	12,847
	4,048	13,847
	8,411	33,346

* 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation*	81,360	104,216
Amortisation of intangible assets	1,426	1,189
Fair value gain on an investment property	—	(1,000)
Fair value loss on derivative financial instrument — transaction not qualifying as hedge	—	4,828 [#]
Reversal of impairment of trade receivables	(289)	(62) [#]
Foreign exchange difference, net	(3,759)	36,250 [#]
Equity-settled share option expense	415	1,060

* Included in the cost of sales for the period is depreciation charges of HK\$71,332,000 (six months ended 30 June 2018: HK\$100,388,000).

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 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	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	3,666	358
Current — Elsewhere		
Charge for the period	9,009	9,810
Overprovision in prior periods	—	(1,238)
Deferred	1,450	2,195
Total tax charge for the period	14,125	11,125

7. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2018:		
HK0.48 cents (year ended 31 December 2017: HK1.76 cents)		
per ordinary share	12,239	44,887
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2019:		
HK0.55 cents (six months ended 30 June 2018: HK1.47 cents)		
per ordinary share	14,092	37,659

NOTES TO FINANCIAL STATEMENTS

30 June 2019

7. DIVIDENDS (CONTINUED)

Declaration of the interim dividend of HK0.55 cents per ordinary share in respect of the six months ended 30 June 2019 was approved by the board of directors on 30 August 2019. The 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 final dividend of HK0.48 cents per ordinary share in respect of the year ended 31 December 2018 was approved by the Company's shareholders at the annual general meeting held on 3 June 2019. The final dividend of HK1.76 cents per ordinary share in respect of year ended 31 December 2017 was approved by the Company's shareholders at the annual general meeting held on 29 May 2018.

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

The basic earnings per share is calculated based on the profit for the period attributable to ordinary equity holders of the Company of HK\$142,688,000 (six months ended 30 June 2018: HK\$155,063,000) and the weighted average number of ordinary shares of 2,549,785,817 (six months ended 30 June 2018: 2,550,429,989) in issue during the period, as adjusted to exclude the shares held by the trustee under the share award scheme.

The diluted earnings per share is calculated based on the profit for the period attributable to ordinary equity holders of the Company of HK\$142,688,000 (six months ended 30 June 2018: HK\$155,063,000), the weighted average number of ordinary shares of 2,549,785,817 (six months ended 30 June 2018: 2,550,429,989) in issue during the period, as used in the calculation of basic earnings per share, and the weighted average number of ordinary shares of 1,212,674 (six months ended 30 June 2018: 2,369,707) 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\$736,717,000 (six months ended 30 June 2018: HK\$920,620,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2018: Nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2019

10. INTERESTS IN JOINT VENTURES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Share of net assets	778,077	762,918

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. (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\$105,000,000 (equivalent to HK\$819,000,000) to subscribe for interest in the Fund through its own indirect wholly-owned subsidiary and the special limited partner of the Fund. As at 30 June 2019, the Company has invested approximately HK\$774,320,000 in the Fund.

11. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade and bills receivables	1,153,344	1,073,636
Impairment	(2,984)	(2,559)
	1,150,360	1,071,077

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.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 30 days	643,436	568,030
31 to 60 days	57,690	96,709
61 to 90 days	25,792	65,707
91 to 180 days	55,719	140,350
181 to 360 days	266,868	124,817
Over 360 days	100,855	75,464
	1,150,360	1,071,077

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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 month	79,341	148,424
1 to 2 months	95,949	92,171
2 to 3 months	27,056	4,473
Over 3 months	48,112	149,733
	250,458	394,801

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

NOTES TO FINANCIAL STATEMENTS

30 June 2019

13. SENIOR NOTES

In February 2018, a subsidiary of the Group issued senior notes (the “**Senior Notes**”) with a face value of US\$106,500,000 (equivalent to HK\$830,700,000) and interest at a rate of 5.88% per annum, which are repayable semi-annually in February and August each year with maturity in February 2037, unless redeemed earlier. The Senior Notes are secured by, among others, (i) the assets of the subsidiary and 100% of the shares of the subsidiary; and (ii) cash deposit in certain bank collection accounts in the subsidiary of the Group amounting to HK\$95,108,000 as at 30 June 2019 (31 December 2018: HK\$81,209,000).

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current		
Finance lease payables	—	27
Portions of bank loans due for repayment within one year — secured	2,340	659,070
Portions of bank loans due for repayment within one year — unsecured	1,624,736	1,382,436
Portions of bank loans due for repayment after one year which contain repayment on demand clause — secured	194,143	342,966
Portions of bank loans due for repayment after one year which contain repayment on demand clause — unsecured	255,840	—
Syndicated loan — unsecured	38,280	—
Other borrowings — secured	3,875	—
	2,119,214	2,384,499
Non-current		
Finance lease payables	—	23
Portions of bank loans due for repayment after one year — unsecured	189,100	406,386
Syndicated loan — unsecured	945,435	—
Other borrowings — secured	175,150	179,025
	1,309,685	585,434
	3,428,899	2,969,933

In the six months ended 30 June 2019, the Group entered into a facility agreement for an unsecured syndicated loan, which is to be repayable by installments, from 24 June 2020 to 24 June 2022 and with an interest rate at London Interbank Offered Rate plus 2.5% per annum for US\$ loan. The unsecured syndicated loan is guaranteed by the Company.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

15. SHARE CAPITAL

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Authorised: 5,000,000,000 ordinary shares of HK\$0.1 each	500,000	500,000
Issued and fully paid: 2,562,230,000 (31 December 2018: 2,562,074,000) ordinary shares of HK\$0.1 each	256,223	256,207

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

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
At 1 January 2018	2,561,594,000	256,159
Share options exercised	Note 480,000	48
At 31 December 2018 and 1 January 2019	2,562,074,000	256,207
Share options exercised	Note 156,000	16
At 30 June 2019	2,562,230,000	256,223

Note:

In the six months ended 30 June 2019, share options with rights to subscribe for 156,000 (31 December 2018: 480,000) shares were exercised at the subscription price of HK\$2.016 per share, resulting in the issue of 156,000 (31 December 2018: 480,000) ordinary shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$314,000 (31 December 2018: HK\$968,000). An amount of HK\$190,000 (31 December 2018: HK\$586,000) 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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 for the Schemes include the directors, employees, advisors, consultants and business partners of 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 under the Pre-IPO Share Option Scheme were outstanding during the period/year:

	Six months ended 30 June 2019		Year ended 31 December 2018	
	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	4,432	2.016	4,968
Forfeited during the period/year	—	—	2.016	(56)
Exercised during the period/year	2.016	(156)	2.016	(480)
At end of the period/year	2.016	4,276	2.016	4,432

The weighted average share price at the date of exercise for share options exercised during the period was HK\$2.87 per share (31 December 2018: HK\$4.15 per share).

In the six months ended 30 June 2019, the Company had 4,276,000 (31 December 2018: 4,432,000) share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,276,000 (31 December 2018: 4,432,000) additional ordinary shares of the Company and additional share capital of HK\$428,000 (31 December 2018: HK\$443,000) and share premium of HK\$8,193,000 (31 December 2018: HK\$8,492,000) (before issue expenses).

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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 employees of the Group 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.

Employee for the Share Award Scheme means any employees (including without limitation any executive director) or consultant 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 selected employee for participation in the Share Award Scheme is limited to 1% of the issued share capital of the Company from time to time.

Employee(s) selected for participation in the Share Award Scheme (the “**Selected Employee(s)**”) and number of shares as awarded were both determined by the board of directors of the Company. The shares to be awarded under the Share Award Scheme will be purchased by a trustee (the “**Trustee**”) by cash contributed by the Group and be held on trust for the Selected Employee(s) until such shares are vested with the Selected Employee(s) 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 Employee(s).

During the six months ended 30 June 2019, the Group had not purchased shares (for the year ended 31 December 2018: 1,173,000 shares) of its own shares through the Trustee from open market. No amount paid to acquire the shares (for the year ended 31 December 2018: HK\$3,951,000) and has been deducted from equity. As at 30 June 2019, such shares were classified as treasury shares of the Company as they were not yet vested.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

17. SHARE AWARD SCHEME (CONTINUED)

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 2019		Year ended 31 December 2018	
	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	12,354,000	58,122	11,181,000	54,171
Purchases of shares for the share award scheme	—	—	1,173,000	3,951
At end of the period/year	12,354,000	58,122	12,354,000	58,122

During the period, the Company did not award any shares to any eligible participant under the Share Award Scheme (for the year ended 31 December 2018: Nil).

18. ASSETS HELD FOR SALE

In 2018, the Company initiated a plan to dispose of the assets relating to its distributed power generation business in Indonesia. Negotiations for the sale in an advanced stage were in progress and the sale was considered highly probable and is expected to be completed within one year from the date of reclassification. Accordingly, the related power generation assets were classified as assets held for sale as at 30 June 2019.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

19. COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for: Power generation assets	1,401,493	1,132,151

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rents paid to Orient Profit Investment Limited*	480	480
Proceeds from sale of goods paid by VPower Technology Company Limited*	—	1,344
Interest income from a director [#]	—	287

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

[#] 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.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Commitments with a related company

On 1 April 2018, a tenancy agreement in respect of a residential property was entered into between VPower Holdings Limited, as tenant, and Orient Profit Investment Limited, as landlord, for nine months for a fixed monthly rent of HK\$80,000. The tenancy agreement has been further renewed for two years from 1 January 2019 to 31 December 2020 at a monthly rental of HK\$80,000.

(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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	13,505	12,830
Post-employment benefits	81	81
Equity-settled share option expense	202	516
Total compensation paid to key management personnel	13,788	13,427

21. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 30 August 2019.

OTHER INFORMATION

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK0.55 cents per share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 18 September 2019. It is expected that the interim dividend will be distributed on or before Friday, 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend, the register of members of the Company will be closed during the period from Monday, 16 September 2019 to Wednesday, 18 September 2019 (both days inclusive), during which period no transfer of share(s) of the Company will be effected. In order to qualify for the interim dividend, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13 September 2019.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2019, the Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the Independent Non-Executive Directors of the Company was unable to attend the annual general meeting of the Company held on 3 June 2019 due to his other business engagements.

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**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that the Directors had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with the management of the Company, the accounting principles and practices adopted by the Group; discussed internal controls and risk management; and financial reporting matters in August 2019 including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) Interest in the Company

Name of Director	Capacity	Number of ordinary shares 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	70.51%
	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 ("Ms. CHAN") (Note 4)	Beneficial owner	130,000	260,000	390,000	0.02%
	Interest of spouse	1,807,916,881	265,000	1,808,181,881	70.57%

Notes:

- All the above interests in the shares and underlying shares of the Company were long positions. None of the Directors and the chief executive of the Company held any short positions in the shares and underlying shares of the Company as at 30 June 2019.
- Based on 2,562,230,000 shares of the Company in issue as at 30 June 2019.

OTHER INFORMATION

- 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. Under which, Mr. LAM had 265,000 outstanding options to subscribe for the Company's shares as at 30 June 2019. Mr. LAM is the spouse of Ms. CHAN. Under Divisions 2 and 3 of Part XV of the SFO, Mr. LAM is deemed to have interest in the same number of shares in the Company in which his spouse has interest.

- Ms. CHAN had options granted under the Pre-IPO Share Option Scheme to subscribe for 390,000 shares in the Company. Under which, Ms. CHAN had 260,000 outstanding options to subscribe for the Company's shares as at 30 June 2019. Ms. CHAN is the spouse of Mr. LAM. Under Divisions 2 and 3 of Part XV of the SFO, Ms. CHAN is deemed to have interest in the same number of shares in the Company in which her spouse has interest. Ms. CHAN is a director of Energy Garden Limited.
- All these interests held by such Directors were underlying shares in respect of share options granted to them on 1 November 2016 pursuant to the Pre-IPO Share Option Scheme, further details of which are set out under the section headed "Share Option Schemes" below.

(ii) Interest in Associated 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:

- Through his controlling interests in Sunpower Global Limited
- Through his controlling interests in Konwell Developments Limited
- Through her interests in Classic Legend Holdings Limited
- Through his interests in Jet Lion Holdings Limited

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

1. Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 24 October 2016 for the purpose of providing incentives and rewards to 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 2019, the Company had outstanding options to subscribe for 4,276,000 ordinary shares of the Company under the Pre-IPO Share Option Scheme, representing approximately 0.17% of the issued share capital of the Company as at 30 June 2019.

OTHER INFORMATION

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 2019 (the “**Period**”) are as follows:

Grantee	Date of grant (dd.mm.yyyy)	Exercise price per share HK\$	Number of shares to be issued upon exercise of the share options				Exercise period (dd.mm.yyyy)
			Outstanding as at 01.01.2019	Cancelled		Outstanding as at 30.06.2019	
				or forfeited during the Period	Exercised during the Period		
Directors							
LAM Yee Chun	01.11.2016	2.016	133,000	—	—	133,000	24.11.2018–23.11.2021
	01.11.2016	2.016	132,000	—	—	132,000	24.11.2019–23.11.2022
LEE Chong Man	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
<i>Sub-total</i>			1,311,000	—	—	1,311,000	
Consultants							
	01.11.2016	2.016	17,000	—	—	17,000	24.11.2017–23.11.2020
	01.11.2016	2.016	57,000	—	(7,000)	50,000	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	332,000	—	(97,000)	235,000	24.11.2017–23.11.2020
	01.11.2016	2.016	1,234,000	—	(52,000)	1,182,000	24.11.2018–23.11.2021
	01.11.2016	2.016	1,426,000	—	—	1,426,000	24.11.2019–23.11.2022
<i>Sub-total</i>			3,121,000	—	(156,000)	2,965,000	
Grand-total			4,432,000	—	(156,000)	4,276,000	

2. Share Option Scheme

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 24 October 2016 for the purpose of providing incentives and rewards to eligible participants 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 date of listing of the Shares on the Stock Exchange. 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. A grantee is required to pay HK\$1 upon acceptance of the offer of options. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

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

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

As at 30 June 2019, no option had been granted by the Board under the Share Option Scheme.

OTHER INFORMATION

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 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 1% of the issued share capital of the Company from time to time.

As at 30 June 2019, 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 2018 Annual Report of the Company are set out as below:

Mr. YEUNG Wai Fai, Andrew ceased as managing director of Titan Financial Services Limited in June 2019.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS

As at 30 June 2019, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the substantial shareholders/other persons, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity	Number of underlying shares held <i>(Note 1)</i>	Approximate percentage of the issued share capital <i>(Note 2)</i>
Energy Garden Limited (“ Energy Garden ”)	Beneficial owner	1,806,633,881	70.51%
Konwell Developments Limited (“ Konwell ”)	Interest of a controlled corporation	1,806,633,881 <i>(Note 3)</i>	70.51%
Sunpower Global Limited (“ Sunpower ”)	Interest of a controlled corporation	1,806,633,881 <i>(Note 4)</i>	70.51%
CITIC Group Corporation (“ CITIC Group ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
CITIC Polaris Limited (“ CITIC Polaris ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
CITIC Glory Limited (“ CITIC Glory ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
CITIC Limited (“ CITIC ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
CITIC Pacific Limited (“ CITIC Pacific ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
Master Wise Holdings Corp. (“ Master Wise ”)	Interest of a controlled corporation	204,800,000 <i>(Note 5)</i>	7.99%
Next Admiral Limited (“ Next Admiral ”)	Beneficial owner	204,800,000 <i>(Note 5)</i>	7.99%

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Notes:

1. All the above interests in the shares and underlying shares of the Company were long positions.
2. Based on 2,562,230,000 shares of the Company in issue as at 30 June 2019.
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. Under which, Mr. LAM had 265,000 outstanding options to subscribe for the Company's shares as at 30 June 2019. Under the SFO, Mr. LAM is deemed to have interest in the same number of shares in the Company in which his spouse has interest.

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

Save as disclosed above, as at 30 June 2019, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

DEED OF NON-COMPETITION

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

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

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

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

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

By Order of the Board

LAM Yee Chun

Executive Chairman

Hong Kong, 30 August 2019

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LAM Yee Chun

(Executive Chairman)

Mr. LEE Chong Man Jason

(Co-Chief Executive Officer)

Mr. AU-YEUNG Tai Hong Rorce

(Co-Chief Executive Officer)

Mr. LO Siu Yuen

(Chief Operation Officer)

Non-Executive Directors

Ms. CHAN Mei Wan

(Vice Chairwoman)

Mr. KWOK Man Leung

Independent Non-Executive Directors

Mr. David TSOI

Mr. YEUNG Wai Fai Andrew

Mr. SUEN Wai Yu

BOARD COMMITTEES

Audit Committee

Mr. David TSOI *(Chairman)*

Ms. CHAN Mei Wan

Mr. YEUNG Wai Fai Andrew

Remuneration Committee

Mr. YEUNG Wai Fai Andrew *(Chairman)*

Ms. CHAN Mei Wan

Mr. SUEN Wai Yu

Nomination Committee

Mr. SUEN Wai Yu *(Chairman)*

Mr. LAM Yee Chun

Mr. David TSOI

COMPANY SECRETARY

Mr. CHAN Kam Shing

AUTHORISED REPRESENTATIVES

Mr. AU-YEUNG Tai Hong Rorce

Mr. LO Siu Yuen

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Citibank, N.A.

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

BRANCH SHARE REGISTRAR

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

COMPANY WEBSITE

www.vpower.com

STOCK CODE

1608