

A row of green icons representing sustainability: a runner, two trees, a person walking a dog, a modern building, a person on a bicycle, and a large leaf.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

VPower Group International Holdings Limited

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code: 1608





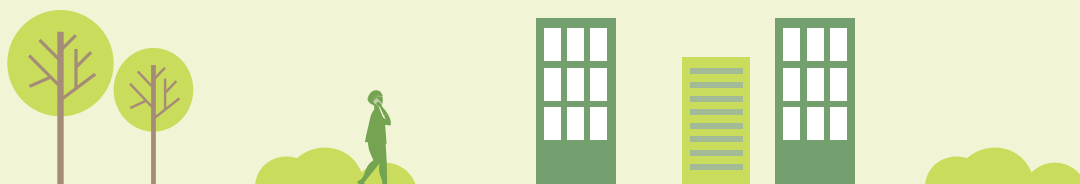
LEVERAGING
OUR EXTENSIVE **GLOBAL**
EXPERIENCE
AND WIDE RANGE OF
CAPABILITIES

OUR STRONG AND FAST EXECUTION CAPABILITIES AND TRACK RECORD ARE
SIGNIFICANT COMPETITIVE ADVANTAGES IN WINNING NEW CUSTOMER CONTRACTS



Table of Contents

02	About this Report	21	Caring for Our People
04	Message from Our Chairman	21	Employee Relations
07	About VPower Group	23	Integrity
07	Our Business	23	Health and Safety
09	Our Projects	24	Training and Development
10	Our Suppliers	26	Employee Engagement
12	Our Sustainability Approach	27	Investing in Our Local Communities
12	Stakeholder Engagement	29	The Stock Exchange of Hong Kong ESG Reporting Guide Content Index
14	Sustainability Governance		
15	Protecting Our Environment		
15	Environmental Management		
15	Air Emissions and Control		
18	Energy Conservation		
19	Water Resources Management		
19	Waste Management		
20	Natural Resources Management		





ABOUT THIS REPORT



This is our second standalone Environmental, Social and Governance (“ESG”) report to present VPower Group International Holdings Limited (“VPower Group”)’s ESG strategies across our business operations in Asia. The report highlights our continuous commitment to applying social values to environmental protection, human capital, social engagement and supply chain relations along with our business development. Unless otherwise stated, the report covers our achievements during the period from 1 January 2017 to 31 December 2017 (the “Year” or “FY2017”). The report has been prepared in accordance with The Stock Exchange of Hong Kong’s (the “Stock Exchange”) ESG Reporting Guide.

We welcome your feedback and suggestions on the report or our ESG performance. If you have any comments, please contact us by email at esg@vpower.com.





**WE ARE SOUTHEAST ASIA'S LARGEST
PRIVATE GAS-FIRED
ENGINE-BASED
DISTRIBUTED POWER GENERATION STATION
OWNER AND OPERATOR**



MESSAGE FROM OUR CHAIRMAN



We are delighted to present you the ESG report for the year ended 31 December 2017, to share our sustainability commitment and initiatives with our stakeholders.

At VPower Group, we are committed to creating long-term value for our stakeholders from shareholders, customers, vendors to employees and the communities. A core belief we have is to maintain corporate sustainability for the best benefits of the stakeholders. In 2017, in terms of financial performance, we continued to deliver a strong and

sustainable growth, which also marks the record year of VPower Group since its establishment. For the past five years from 2013 to 2017, our revenue, gross profit and net profit recorded a CAGR of 32.0%, 58.2% and 141.7% respectively. To reward our shareholders for their continuous support, a full year dividend of HK3.23 cents per share for 2017 was paid, which represents an increase of 25.7% as compared with the dividend of HK2.57 cents per share paid by the Company for 2016 and is in line with our dividend policy of distributing up to 25% of net profit.

We enhanced our operational excellence with strengthening internal platform and expanding business network. During the Year, we dedicatedly reviewed the upcoming business opportunities and expanded our IBO business from Southeast Asia to Latin America. We are also expanding into Brazil, China and the United Kingdom where we see tremendous market potential for our distributed power generation solutions. We understand both the emerging markets which are experiencing structural power deficit and developed markets which



MESSAGE FROM OUR CHAIRMAN

are undergoing power reforms and improving energy mix with increasingly use of renewable energy are in need of our fast-track and flexible solutions to generate reliable and stable electricity. We will therefore keep deploying sufficient resources to deliver our distributed power generation solutions to different parts of the world and continuously making contributions to the regional development.

It is the global trend that we are moving towards a low-carbon and highly efficient future. To promote a clean and sustainable environment, we have spared no efforts in improving the energy efficiency of our power generation systems and solutions as well as actively explore different cleaner solutions, such as the use of biogas, combined heat and power system and hybrid systems. We are proud to say we are making good progress and are expecting to see some exciting outcomes.

In addition to achieving outstanding financial and operational performance, we are committed to maintaining a

high level of business ethics and good corporate governance, minimising the environmental impacts arising from our business activities, treating our employees with courtesy and respects, and developing a harmonious relationship with communities.

Looking forward, we will continue to make the best of our efforts to create a better living, working and business environment for our stakeholders. We will also enhance our expertise in the distributed power market and further our business expansion to provide flexible, reliable and stable power to people in need.

We power the world and lighten up possibilities.



LAM Yee Chun
Executive Chairman
20 July 2018



ABOUT VPOWER GROUP

Our Business

Founded in 2001, VPower Group has been publicly listed on the Main Board of the Stock Exchange of Hong Kong since November 2016. It is now one of the world's leading large gen-set system integration providers and one of Southeast Asia's largest private gas-fired engine-based distributed power generation (DPG) station owners and operators.

Headquartered in Hong Kong, we supply substantial electricity to support rapid growth in developing countries through two major business divisions: System Integration (SI) business and Investment, Building and Operating (IBO) business. This includes the (1) designing, integrating and selling of gen-sets and power generation systems ("PGSS") that run on either natural gas or diesel, and (2) designing, investing in, building, leasing and operating DPG stations.



System Integration (SI)

SI business has been our principal business since the establishment of VPower Group. Our SI business aims to balance customers' needs by using our technical expertise to design, integrate and sell gas-fired and diesel-fired gen-sets and PGSS. We therefore provide PGSS that can cope with challenging operating conditions, such as high altitudes or extreme climates. We are proud of our product quality, functionality and reliability and have developed comprehensive procedures and protocols for component sourcing, testing, assembly, operations and maintenance.

VPower Group delivers technical support to projects from residential and commercial buildings to railway projects and telecommunications projects. Over the years, we have continued to explore more opportunities to share our expertise in gen-set system integration with a variety of sectors and customers located in the PRC, Singapore, Hong Kong, United Arab Emirates, South Korea, Israel, Bangladesh, Macau, Peru, Greece, Mexico, the Philippines and other countries in Africa.



ABOUT VPOWER GROUP

**Investment, Building and Operating (IBO)**

Leveraging our experience and capabilities we developed under our SI business, we began our investment, building and operating business in 2012.

The gap between supply and demand for electricity in emerging markets, including Indonesia, Myanmar, Bangladesh and others, offers opportunities for the distributed power generation (DPG) markets. These markets, usually under-developed in terms of large-scale power supplies and infrastructure, do not prefer to own PGSS, yet are in need for semi-permanent electricity for interim and imminent power. To bridge the gap, we invest, design, build, lease and operate DPG stations in these markets. By introducing fast-track utility-grade DPG projects that are designed and integrated to be “plug-and-play”, we alleviate the power shortage problem and make electricity more accessible.

While we understand that these are emerging markets which presents us with market opportunities, we are also aware that there are variances in local environmental and social regulatory requirements. As we develop the IBO business division, we are keen to play a role in fostering the sustainable growth of these markets through a consistent management approach in ESG.



For a complete overview of our business strategy, operations and financial performance, please refer to our Annual Report.



ABOUT VPOWER GROUP

Our IBO Market Presence

**Indonesia**

To leverage the natural gas resources of Indonesia, VPower Group commenced our first Indonesia DPG station project – Teluk Lembu I in 2012 with an existing capacity of 20.3MW. Teluk Lembu II was later launched in 2014 with an additional of 65.8MW. This is our first project utilizing medium-speed gas-fired engines, and it is also the largest gas-fired engine-based DPG station within the PLN North Sumatra Power Plant.

To meet the growing power demand of Indonesia, Palembang was later launched in 2015 with a capacity of 56.2MW, followed by the Jambi Project of 56.4MW in 2016, the Medan Project of 54.0MW and the Rengat Project of 20.3MW in 2017.

Myanmar

Myanmar is one of the world's most underdeveloped power markets, but also a leading producer of natural gas and the fastest growing market in gas-fired DPG in Southeast Asia. VPower Group commenced our first DPG operation in a remote location in Myanmar named Kyauk Phyu in 2015 with an installed capacity of 49.9MW (Kyauk Phyu I). Adjacent to Kyauk Phyu I, we further expanded our capacity of our operation with an installed capacity of 49.9MW in Kyauk Phyu II in 2016. In the same year, we launched our largest gas-fired DPG station – Myingyan with an installed capacity 149.8MW, which supplies both the state-owned steel mill adjacent to the site and the national grid.



ABOUT VPOWER GROUP

Bangladesh

The current level of power generation in Bangladesh is insufficient to meet increasing demand and it has the second lowest electrification rate in Southeast Asia after Myanmar. Leveraging on the opportunity, we installed our first peak shaving diesel-fired DPG station with a capacity of 58.8MW in Pagla, Bangladesh in 2013.

New Markets

In response to the rising demand for reliable energy supply globally, we are building a strategic global network covering existing markets and new markets including Latin America, Europe, Middle East, and China. Besides, we are also exploring new business opportunities arising from the Belt and Road Initiative.

Latin America is our target expansion area as The World Bank expects Latin America's power consumption to be more than double between 2010 and 2030. In May 2017, we participated in an 80MW heavy fuel oil ("HFO") DPG project in Iquitos, Peru with contract term of 20 years by offering a 3-year convertible loan of US\$30 million to the project company. In February 2018, we converted part of the loan into a controlling stake in the project company and officially expanded our footprint into Peru. The station will help the isolated city to connect to the rest of the nation, benefiting more than 400,000 inhabitants of the area. In early August 2017, we also secured 3 DPG tenders in Brazil with a planned install capacity of 70.3MW marking our further expansion in Latin America. In China, we won our first biogas project using combined heat and power generation system with a planned install capacity of 26.8MW and contract length of 15 years.



Our Suppliers

As the engine manufacturing industry is dominated by a few large global manufacturers, we rely on a limited number of suppliers to supply engines for our gen-sets, PGSs and DPG stations. By being open, transparent, and upholding high ethical standards, we aim to earn trust and loyalty from our suppliers. This allows us to secure the stable supply of high-quality engines that is essential to support our SI and IBO businesses.

We have implemented strategic supplier partnerships and derived value from these world-renowned suppliers and manufacturers. For our SI business, we engaged one of our strategic partners to promote the use of natural gas- and biogas-fired gen-sets in a number of countries and regions in Asia including China, Singapore, Hong Kong, Macau, Indonesia, Myanmar and Bangladesh. With the same manufacturer, we have also been co-developing DPG stations as part of our IBO business. Strategic partners provide us with dedicated support from engines to spare parts and after-sales services around the world. Such an approach reduces supply chain risk and balances our needs for engineering consumables and specialised production by suppliers.



ABOUT VPOWER GROUP

With regular sourcing and supplier engagement including meetings and site visits we aim to build stable and long-term relationships with all our suppliers to deliver quality products and services.

We expect our suppliers share the same values and principles as we do. Our expectations on suppliers' environmental and social standards are clearly stated in our Supply Chain Management Policy, providing guidance on the Group's procurement decisions during initial supplier selection stages. In particular, energy efficient equipment is always preferred over equipment with low energy efficiency. We will strain for finding suppliers with ISO 14000 certificates so that sound environmental commitment is ensured.

This policy also allows VPower Group to maintain the high quality of our products and services and to maintain good relationships with the communities we serve. The policy requires our suppliers to protect the rights and interests of their employees, including but not limited to ensuring a safe and healthy work environment, providing fair and competitive remuneration packages and refusing to hire child or forced labour. Suppliers must also conduct their business responsibly, in a way that protects and sustains the environment and in accordance with local laws and regulations. Together with our suppliers, we are progressively moving towards sustainability while maintaining the high quality of our products and services.

Number of suppliers by location



OUR SUSTAINABILITY APPROACH

Stakeholder Engagement

We believe transparent and open communication with stakeholders can be conducive to the sustainable growth and development of our

business. We have established tailored communications channels for each key stakeholder group. By engaging stakeholders regularly, we receive valuable feedback that is useful for us to understand their expectations

and perceptions, as well as our ESG risks and opportunities. This has allowed us to review our ESG strategy and continuously improve our ESG management.

The key stakeholder groups and associated engagement exercises are shown in the table below:

Stakeholder groups	Communications Channel	Frequency
Employees	Group and departmental meetings	Biweekly to Monthly
	Surveys	Annual
	Suggestion box	Always open
	Internal newsletters via email	Daily
	Internal training	Periodically
Shareholders and investors	Annual general meeting (AGM)	Annual
	Interim and annual reports	Bi-annual/annual
Customers	Corporate website	Always open
	Customer meetings	Periodically
Suppliers	Corporate website	Always open
	Social media platforms	Always open
	Supplier meetings	Periodically
Contractors	Corporate website	Always open
	Social media platforms	Always open
	Onsite/offsite contractors meetings	Periodically
Government	Corporate website	Always open
	Social media platforms	Always open
	Government official meetings	Periodically
Community partners	Corporate website	Always open
	Participating in charitable events	Periodically



OUR SUSTAINABILITY APPROACH

During the preparation of this report, we engaged our stakeholders to review our ESG approach. Building on insights gained from previous exercises, we further expanded the scope to include external stakeholders, for a wider perspective in Year 2017. The scope includes employees, investors, suppliers, contractors, government and community partners. The exercise was facilitated by a third-party consultant to ensure independence and impartiality.



An anonymous survey was conducted to identify stakeholders' key areas of concerns. The survey results were used to guide the format of this report, and also to serve as a reference for our ESG strategies in the coming years.

The following material issues were identified as a result of the exercise:

Employment and Labour Practices

- Non-discrimination and equal opportunities
- Health and safety
- Remuneration, benefits and welfare
- Employee retention
- Training and development
- No child and forced labour

Operating Practices

- Integrity
- Product quality and safety
- Supply chain management
- Intellectual property rights

Environment

- Impact on the environment and natural resources

Community

- Community relationships



OUR SUSTAINABILITY APPROACH

Sustainability Governance

VPower Group believes that robust corporate governance is the key to the sustainability of the business. There are effective internal controls and risk management frameworks in place to manage business risks, including environmental and social risks. We have formulated policies on business ethics and require our staff to follow them. There are also on-site internal audits every year to maintain strong business integrity, protect interests of our stakeholders and control the business risks in our operations.

The Board of Directors (the “Board”), which comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, occupy the highest position in the governance structure. The Board upholds its responsibility to oversee the implementation of internal controls and to protect the interests of VPower Group’s stakeholders, including the implementation of ESG policies and related strategies. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee overseeing different functions.

Senior management is responsible for the daily operations of the Group. Different functional departments support and realise the Group’s ESG strategies in different business operations and project locations. ESG performance is reported at least annually to the headquarter in Hong Kong for review and monitoring. They may also report to the Board on ESG matters whenever necessary.



PROTECTING OUR ENVIRONMENT

Environmental Management

VPower Group is aware of the growing concern about climate change and is dedicated to minimising adverse environmental effects of the daily business activities of our offices and factories. In compliance with all local environmental laws and regulations, we established environmental monitoring and measurement procedures to regularly assess and present our environmental performance on emissions, noise level, water quality, quantity of waste generated, and energy usage.

Our production factories in Shenzhen and Indonesia operate under an environmental management system and is ISO 14001 and ISO 9001 certified. Accordingly, we conducted environmental impact assessment and control procedures in our subsidiary in China and new power plants to identify the key environmental impacts of our business activities. The results were used to formulate

environmental initiatives for the company to effectively measure and mitigate environmental risks. Upholding our commitment to protecting the environment, we will continue to monitor and disclose our environmental performance on our corporate website and through annual ESG reporting.

Air Emissions and Control

Although air pollutant emission is inevitable in power generation, VPower Group strives to minimise emissions from the assembly to operation of its gen-sets. In our production factory in Shenzhen, we have established a set of operational controls and procedures for our production factory to ensure that air pollutants generated from the factory are in compliance with the Class II standard of “Emission Limits of Air Pollutants” (DB44/27-2001) in Guangdong Province. Our PGSs in our DPG stations complied with the emission standards of the applicable national and local laws and regulations.

Gas-fired engines represent 81% of the total installed capacities of our DPG stations. When compared to other fossil fuels such as coal or oil, natural gas is generally considered to be the cleanest fossil fuel with superior thermal efficiency and CO₂ emissions per unit of output energy.



PROTECTING OUR ENVIRONMENT

Air Emissions

We adopted an approach in line with the United States Environmental Protection Agency's (USEPA) approved methodologies in estimating our air emissions with the use of applicable emission factors. The major air pollutants generated from our Shenzhen factory during FY2017 include sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter (PM)¹:

Sulphur dioxide (SO ₂)	0.02542 tonnes
Nitrogen oxides (NO _x)	1.19112 tonnes
Particulate matter (PM)	0.03154 tonnes

Greenhouse Gas Emissions

At VPower Group, we closely monitor our greenhouse gas (GHG) emissions². Our direct emissions included fuel consumption for local transport and Shenzhen factory's operation¹; indirect emissions included purchased electricity consumption, water and paper consumption, as well as air travel by employees.



¹ As fuel consumption controlled by the off-takers was the source of air emissions generated from our IBO projects during the Year, such emissions are not reflected as ours in this report.

² Calculation is made in accordance with applicable guidelines including "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" published by the Environmental Protection Department, HKSAR Government, and USEPA's approved methodologies with the use of applicable emission factors. GHG emissions from air travel are calculated by ICAO Carbon Emissions Calculator.



PROTECTING OUR ENVIRONMENT

Our GHG emissions during FY2017:

	Offices (Hong Kong and Mainland China)	Factory	IBO Projects
Direct Emissions	27 tCO ₂ e	66 tCO ₂ e	104 tCO ₂ e
Indirect Emissions	54 tCO ₂ e	165 tCO ₂ e	798 tCO ₂ e

Our GHG emissions intensities in FY2017 are presented in the following table:

Offices (Hong Kong and Mainland China)	0.285 tCO ₂ e/employee
Factory	0.231 tCO ₂ e/HK'000,000 revenue
IBO Projects	0.00000038 tCO ₂ e/kWh of electricity generated



PROTECTING OUR ENVIRONMENT

Energy Conservation

At all of our energy consuming business locations, offices, factories, dormitories and storage, we have installed inverter fans and energy-saving inverter air conditioners. In the long term, we will continue to address energy reduction and conservation by introducing an energy management plan to report and keep track of the Group's carbon and energy footprints.

The Group is also exploring opportunities to reform our operations with energy-saving technology. We continue carrying out our energy management plan to strengthen VPower Group's capability of energy conservation and management. Our research and development team has developed a combined heat and power gas-fired generation system to reuse residual heat generated by the system.

The steam and hot water produced by the residual heat, together with an absorption chiller, can be used for heating and cooling and reduce the use of energy.

Energy consumption during FY2017:

Electricity consumption	
Offices (Hong Kong and mainland China)	74,239 kWh
Factory	215,344 kWh
IBO projects (Southeast Asia) ³	1,345,307 kWh
Diesel consumption	
Factory	28,260 L
IBO projects (Southeast Asia) ³	64,395,890 L
Natural gas consumption	
IBO projects (Southeast Asia) ³	562,032,524 m ³
Total energy consumption⁴	
Offices (Hong Kong and mainland China)	267 GJ
Factory	1,790 GJ
IBO projects (Southeast Asia) ³	23,898,750 GJ
Total energy consumption intensity	
Offices (Hong Kong and mainland China)	1.16 GJ/employee
Factory	1.51 GJ/HK\$'000,000 of revenue
IBO projects (Southeast Asia) ³	0.01 GJ/kWh of electricity generated

³ Fuel consumption in our IBO projects controlled by the off-takers during the Year is not reflected as ours in this report.

⁴ Calculation is made in accordance with applicable guidelines including "United Nations International Recommendations for Energy Statistics, Series M No. 93" published by The Department of Economic and Social Affairs of the United Nations Secretariat and "International Energy Agency Energy Statistics Manual, 2010 edition" published by the International Energy Agency with the use of standard conversion factors.



PROTECTING OUR ENVIRONMENT

Water Resources Management

VPower Group has continued to reserve and effectively manage our water usage over the years in accordance with applicable national and local laws and regulations. Given local operational constraints in certain areas, both groundwater and municipal water sources are being used to maintain a stable supply of water resources. We apply various water saving technologies to develop on-site water treatment and recycling

systems to treat and reuse wastewater generated from assembly processes. In addition to the rainwater harvesting system, our project in Myanmar has adopted a drenching system to clean and cool down power units in 2017. The system collects used water and treat them for reuse in next round of cooling, effectively reducing water usage. Under the same theory, our project in Indonesia applied high-pressure hydraulic pumps to clean and cool down power units. Not only that it has reduced water usage, but also well enhanced cleaning efficiency.



Water consumption during FY2017:

Municipal water consumption	
Office (Mainland China)	311 m ³
Factory and IBO projects	9,861 m ³
Municipal water consumption intensity	
Office (Mainland China), factory and IBO projects	35 m ³ /employee

The Group also attaches importance to proper wastewater treatment. We are abided by the relevant national and local laws and regulations to avoid pollution of water sources. For instance, there is an on-site water treatment and recycling system in our Shenzhen factory to treat and reuse wastewater generated from the assembly process of gen-sets. The municipal sewage processing system carries out further treatment in a municipal wastewater treatment plant afterwards.

Waste Management

A significant portion of our waste is generated from our production facility and projects. For instance, we have developed a formal management plan and control procedures for the separation, labelling, collection and processing of waste. We require our employees and outsourced service workers to follow these guidelines when handling waste to ensure our operations are in compliance with national and local waste management laws and regulations.

While waste generation is unavoidable at our operations, we are constantly exploring possibilities in reducing waste generation and diverting waste from landfill. We practice waste

segregation and separate different waste types for different handling methods. In particular, all household waste are collected by government's sanitary division on a regular basis. Other non-hazardous waste, including paper, plastic and scrapped equipment, are stored in designated areas for qualified local waste material recycling businesses to review recycle and reuse possibilities. Further, we follow nation standards and regulations when handling hazardous waste like waste oil to ensure that all hazardous wastes are collected and stored with cautious. When stored waste reaches a set amount, we will contact qualified industrial waste handlers to collect it for a unified treatment before disposal.



PROTECTING OUR ENVIRONMENT

Amount of waste produced during FY2017⁵:

Factory	
General waste generated	2,880 kg
Hazardous waste ⁶ generated	1,920 kg
Intensity of general waste generated	2.4 kg/HK\$'000,000 of revenue
Intensity of hazardous waste generated	1.6 kg/HK\$'000,000 of revenue
IBO Projects (Southeast Asia)	
Waste oil	104,871 L
Steel waste and scrap iron	16,030 kg
Intensity of waste oil generated	0.00004 L/kWh of electricity generated
Intensity of steel waste and scrap iron generated	0.000007 kg/kWh of electricity generated

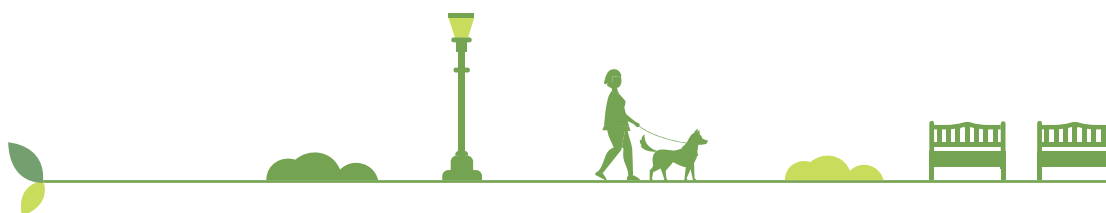
Natural Resources Management

VPower Group respects and commits to preserve the nature by reducing harm to the surrounding environment. Our power plants are in strict accordance with local environmental standards for construction, and to protect the surrounding ecological environment and water resources. Measures taken include the construction of embankments and pipeline maintenance to prevent diesel pollution.



⁵ The data excludes waste generated from offices

⁶ Hazardous waste are defined according to local standards by operating locations



CARING FOR OUR PEOPLE

Employee Relations

VPower Group has high regards for the well-being of our employees. In compliance with the relevant employment policies, rules and regulations, a Group Staff Handbook has been compiled to clearly indicate the Code of Conduct, leave benefits, reward and disciplinary actions and our internal competitive remuneration package as well as our employees' welfare and benefit system. At the same time, we have established effective communication channels to maintain harmonious relationships with our employees and to foster an inclusive environment.

To promote an inclusive corporate culture and foster a diversified workforce, VPower Group provides fair opportunities in recruitment, compensation, training, transfers and promotion to our employees throughout our business and subsidiaries. As a safeguard, grievance procedures are available to individual employees who feel that they have received unfair treatment on the grounds of their colour, race, ethnic origin or sex. These equal opportunities grievance procedures follow the same stages as normal grievance procedures. The employee should state at the outset that the grievance relates to equal opportunities and the procedures will be carried out in the strictest confidence.

VPower Group strictly enforces our employment policy and ensure that VPower Group and its employees abide by relevant laws and regulations, such as the Family Status Discrimination Ordinance, Sex Discrimination Ordinance, and Disability Discrimination Ordinance. VPower Group strictly prohibits the employment of child labour or forced labour in all our businesses.

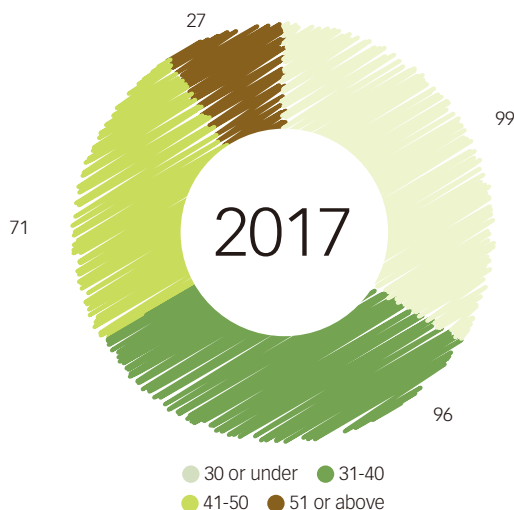
A talented and professional workforce aligned to our high operation standards will help us deliver our strategic goals. Operating and maintaining our DPG systems require special knowledge and expertise, which leads to an increase in technical staff number to support the rapidly growing business. We strive to promoting higher quality education and thus improving local employment by creating new job opportunities. We advocate professional skills learning and knowledge transfer in order to support our staff's career ambitions and drive the local economies forward.

The number of our overseas staff has been increased from 30 people in 2016 to 63 people in 2017 while there is also a 38% increase in number of overseas outsourced service workers, from 491 people in 2016 to 679 people in 2017.

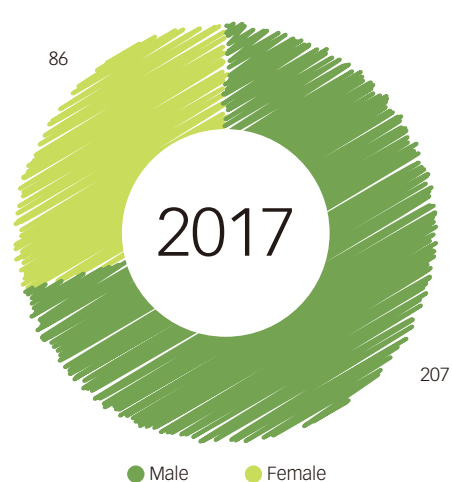
Employee Profile

Total number of employees (as at 31 December 2017): 293

Age Group

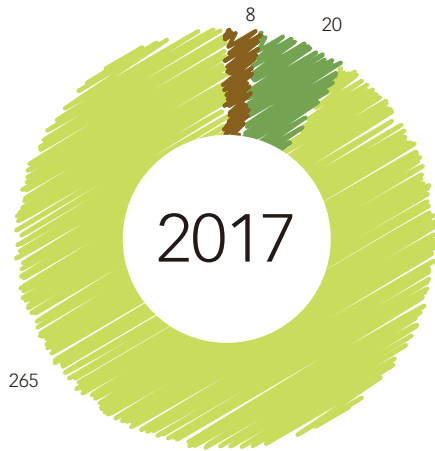


Gender



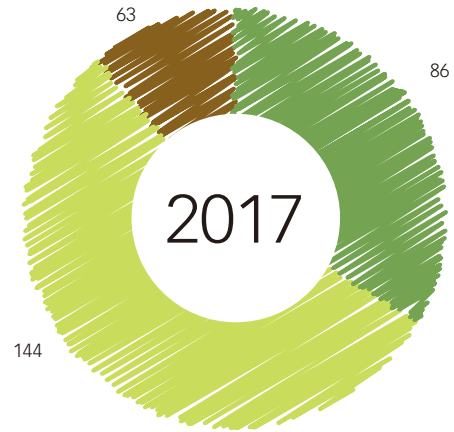
CARING FOR OUR PEOPLE

Employment category



● Senior Management ● Director and Senior Manager ● General Staff

Geographical location



● Hong Kong ● Mainland China ● Southeast Asia

Employees turnover rate by employment category

Senior Management	0%
Director and Senior Manager	5.71%
General Staff	15.38%



CARING FOR OUR PEOPLE

Integrity

The Code of Conduct is the highest level of policy for all the employees in VPower Group. Our values and expectations with regards to integrity, ethics, confidentiality and conflicts of interests are clearly defined within the code. It acts as a framework in guiding the behavior of our employees with the objectives of ensuring uniformity of conduct, as well as pursuing compliance.

With oversight from the Board, unethical behaviours like bribery and corruption are explicitly prohibited within the Group. Our anti-corruption policy strictly complies with the Prevention of Bribery Ordinance. With clear descriptions of each type of corruptive behaviour, employees are well aware of the handling method when dealing with bribery, gifts and political donations.

Furthermore, employees are expected to act honestly in good faith and in the interests of the Group. The Conflict of Interest Policy has been put in place to provide guidance for employees to carry out their duties with the utmost integrity and professionalism. To avoid any potential conflict of interest, employees should immediately declare to the Human Resources Department if they are in next-of-kin relationships with our suppliers, contractors or competitors.

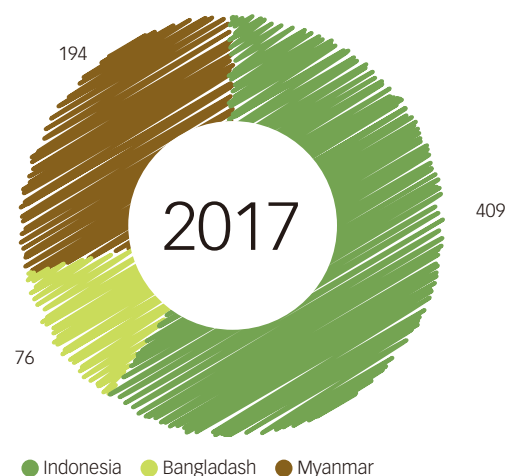
The Group has made a strong commitment to information security. Employees must not disclose or use any confidential or personal information owned by our company. Legal actions will be initiated if an employee is found to have committed an infringement of confidentiality.

In 2017, we had no cases relating to corrupt practices, the infringement of intellectual property rights, or the leakage, damage or loss of private customer data.

Health and Safety

VPower Group considers the health and safety of both our staff and outsourced service workers as our primary concern. Our commitment and approach to manage such risks associated with our operations is set out in the Group's Health and Safety Policy. Additionally, a risk management system is in place to identify the potential operational risks at our factory and project sites. To further protect our employees against safety risks and reduce the likelihood of accidents, our Shenzhen factory and operation in Indonesia are OHSAS 18001 certified. Furthermore, health and safety measures are formulated and introduced for different working positions to prevent accidents and injuries. As at 31 December 2017, we had a total of 679 outsourced service workers regularly working on our sites. Outsourced service workers play a vital role in our projects therefore we extend the same safety standards to them as we do for our staff while they are working on our sites.

Number of outsourced service workers by geographic location



CARING FOR OUR PEOPLE

To promote the importance of occupational health and safety directly to our staff and outsourced service workers, a Safety Handbook detailing the important issues on health and safety was distributed to all the workers. A wide range of training programmes and safety drills are also arranged regularly for our staff and outsourced service workers to raise their awareness and encourage consistent behavior and attitudes towards safety at work.

In addition to the Safety Handbook, we have formulated the “Power Plant Safety Equipment Operation Instructions” during the Year to provide clear guidance on appropriate working procedures. Based on the nature of our business, our employees are potentially exposed to chemicals, noise and dust, the book compiled detailed instructions on the proper use of different safety equipment, such as gloves, eye and ear protectors, masks and safety harnesses. It clearly illustrates safety zones and emergency safety evacuation routes. Fire drills are conducted at all of our operation sites to practice emergency procedures and ensure the effectiveness of our evacuation routes. High-altitude job training, live operation training and operation training are also conducted in a regular basis.

Site Safety Trainings

Knowing the potential risks at our power plants and factories, we continue to promote a strong safety culture by providing the tools and training necessary to ensure our employees stay safe and sound every day. In 2017, we have established a Safety and Operational Knowledge Training System (安全及操作知識培訓系統) at our projects in Indonesia, Myanmar and Bangladesh as part of our induction training to ensure that new employees are equipped with the necessary skills and knowledge and are adequately supervised to enhance and systematise induction training for new hires.



In 2017, we organised seminars to employees located in Southeast Asia with the aim to renew their knowledge on health and disease prevention. Regular health checkups including blood tests are conducted at local medical institutions, so that appropriate treatment can be arranged in the event of employee illness. Offices in Hong Kong, mainland China and Southeast Asia also held a number of Health Talks during the Year covering the topics of sitting posture, avoiding back pain and health tips for computer workers. VPower Group lost no working days to occupational injury or illness in 2017.

Our Shenzhen Branch has also conducted training sessions on the requirements and best practice set out in OHSAS 18001 to further maintain optimum health and safety standards. Relevant training to provide the knowledge, skills, and safety fundamentals that employees need is conducted occasionally on the topics of component repairs and disassembly, electric welding, and gas welding.

Training and Development

We believe that the success of a company lies in its commitment to support employees in building promising careers. We are dedicated to transferring knowledge to a younger generation through a wide range of training programmes and skills development.



CARING FOR OUR PEOPLE

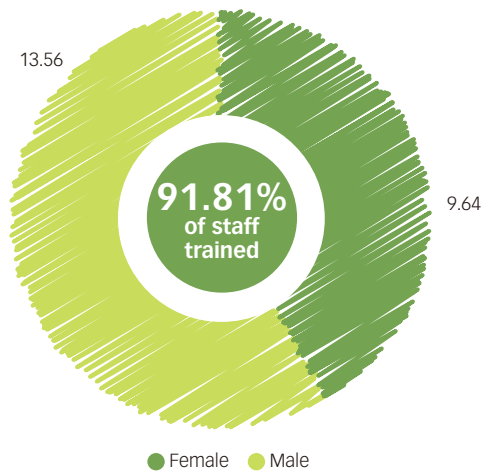


An engaged and growing workforce is integral to our business. We invest heavily in developing our frontline employees by arranging training sessions relevant to our business. We have also placed focus on trainings for outsourced service workers by transferring the skills and sharing knowledge with them through frontline employees. This year alone, we reached a total of 2,469 training hours for the outsourced service workers. The orientation training for new hires not only covers the company's policies, rules and regulations, but also standard operation procedures, to help them adapt faster to the working environment.

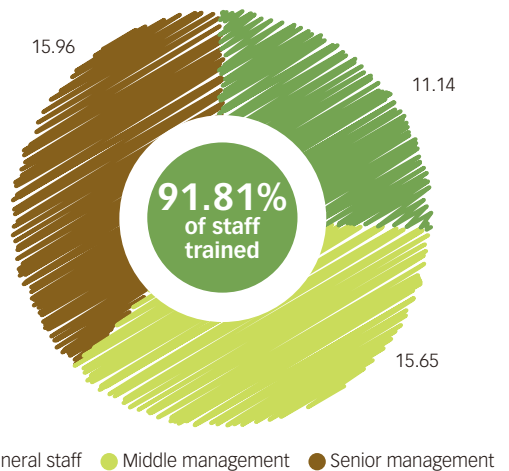
Effective leaders empower and bring a positive influence to the workplace, which is critical to the success of our company. Our management team is made up of industry professionals with technical, legal and finance backgrounds. Management training is provided for our leaders at different locations covering aspects including Strategic Management, Service Marketing and Supervisory Management and Leadership.

Employee Training Profile

Average hours of staff training by gender



Average hours of staff training by employment category



CARING FOR OUR PEOPLE

Employee Engagement

The Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Employee Suggestion Box Scheme has been established for employees to raise concerns about possible improprieties and to drive positive influence on the Group. Frontline employees experience problems firsthand and the scheme allows them to bring real insight into problems, causes and potential solutions. They can make suggestions about various aspects of operations, including but not limited to operational and service efficiency, streamlining workflow and cost saving. The scheme also provides a channel for employees to lodge complaints relating to fraud, theft, embezzlement, corruption, bribery and misconduct including sexual harassment and unethical issues. The Human Resources Department will then collect the suggestions and complaints for management review. We ensure the voices of employees are heard and that feedback is provided by relevant parties.



INVESTING IN OUR LOCAL COMMUNITIES

Investing in Our Local Communities

As a leading gen-set System Integration provider and DPG station owner and operator, VPower Group not only creates direct and indirect jobs to ease the poverty in the areas where we operate, but we also ensure sustainable livelihoods by providing a safe and healthy working environment. We continuously improve our technology and conduct risk assessments to minimise the adverse effects created from our operations towards the environment and the communities.



VPower Group treasures and values our relationships with the people who are living in the neighbourhoods. We believe our caring, commitment and engagement with them help to create a sustainable future. We have dedicated teams of staff whom are continuously connecting with the communities and to understand their needs. Through different approaches and channels, we leverage our capability to help and assist the underprivileged.

By engaging and cooperating with various voluntary, charitable, and community organisations, VPower Group continues to build social capital for multiple communities. We encourage our staff to participate in different projects and events to spread our joy and support to people who are in needs. In November, 17 staff volunteers from Hong Kong headquarters had co-organised a soap recycling workshop with HandsOn Hong Kong. In the workshop, we helped to sort and carve 1 carton (1m³) of hygiene products (including soap, hand wash, shampoo, lotion, etc) which were donated by hotels. At the end the workshop, we assisted in cleaning and packing 500 bottles of hygiene products, and craved 70.5 kg bar soap which could settle the needs of about 200 children in impoverished area in Southeast Asia for a year.

In 2017, we also extended our corporate social responsibility program to China by making a donation to Chi Heng Foundation (CHF), a non-government organization founded in 1998 in Hong Kong. As one of the sponsors of their annual fund raising event, "Walk for Chalk", our representative joined the 4-day trip in Guangxi with some of the subsidized children. The direct communication with AIDS-impacted children not only enables the sponsors to know more about the lives and difficulties that the children are facing but it also allows the sponsors to understand the use of donation in a better way.



INVESTING IN OUR LOCAL COMMUNITIES

In Myanmar, numerous local schools are under-constructions or are lack of basic infrastructures. As one of the countries that we are operating in, we wish to be a part of making positive changes. VPower Group supported our staff in Myanmar to help alleviating the situation by donating new doors and windows to one of the schools, Ardainna Sari Orphanage School. In addition to the donations, our staff volunteers also spent a day with the orphan children and treated them foods and drinks.

In Indonesia, our business unit cooperated with a non-profit organization PKPU Human Initiative Riau to organise a health service event at Wisma Tresna Werdha Social House in Riau province to provide health care service such as general health treatment, medical check-up (hyperuricemia, blood glucose and cholesterol), and health education to the elderly. The medic team and the organising committee included doctors, nurses, pharmacists, and our staff volunteers. As a memento of the occasion, we distributed goody bags with hygiene and nutrition kits to the beneficiaries. This program covered the benefits of 80 elderly.



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
A. Environmental		
Aspect A1 Emission		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting Our Environment
KPI A1.1	The types of emissions and respective emissions data.	Protecting Our Environment
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Protecting Our Environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Protecting Our Environment
Aspect A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting Our Environment
KPI A2.1	Directed and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Protecting Our Environment
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Protecting Our Environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Protecting Our Environment
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of packaging material for finished products is not applicable to the Group's business.



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
A. Environmental (Continued)		
Aspect A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	Protecting Our Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protecting Our Environment
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Our People
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Caring for Our People
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Caring for Our People Employee turnover rates are monitored at VPower Group. We are enhancing our internal data management capacity for future disclosure purpose.



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
B. Social (Continued)		
Employment and Labour Practices (Continued)		
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Caring for Our People
KPI B2.1	Number and rate of work-related fatalities.	Caring for Our People
KPI B2.2	Lost days due to work injury.	Caring for Our People
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Our People
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring for Our People
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Caring for Our People We ensure all our employees are provided with sufficient trainings for their career development.
KPI B3.2	The average training hours completed per employee by gender and employee category.	Caring for Our People We ensure all our employees are provided with sufficient trainings for their career development.



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
B. Social (Continued)		
Employment and Labour Practices (Continued)		
Aspect B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring for Our People
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Caring for Our People
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Caring for Our People
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Sustainability Approach
KPI B5.1	Number of suppliers by geographical region.	Our Sustainability Approach
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Sustainability Approach



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
B. Social (Continued)		
Operating Practices (Continued)		
Aspect B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Caring for Our People
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There is no recall that has significant impacts on our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	We ensure complaints relating to our products and services are handled in the best appropriate and timely manner.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Caring for Our People
KPI B6.4	Description of quality assurance process and recall procedures.	We ensure that the quality of our products and services are maintained and improved. This is achieved by our quality control team through research and development as well as supply chain management.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Caring for Our People



THE STOCK EXCHANGE OF HONG KONG ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Relevant chapter(s) in ESG Report 2017 or other references/ explanation
B. Social (Continued)		
Operating Practices (Continued)		
Aspect B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Caring for Our People
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Caring for Our People
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Caring for Our People
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Investing in Our Local Communities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Investing in Our Local Communities
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Investing in Our Local Communities

