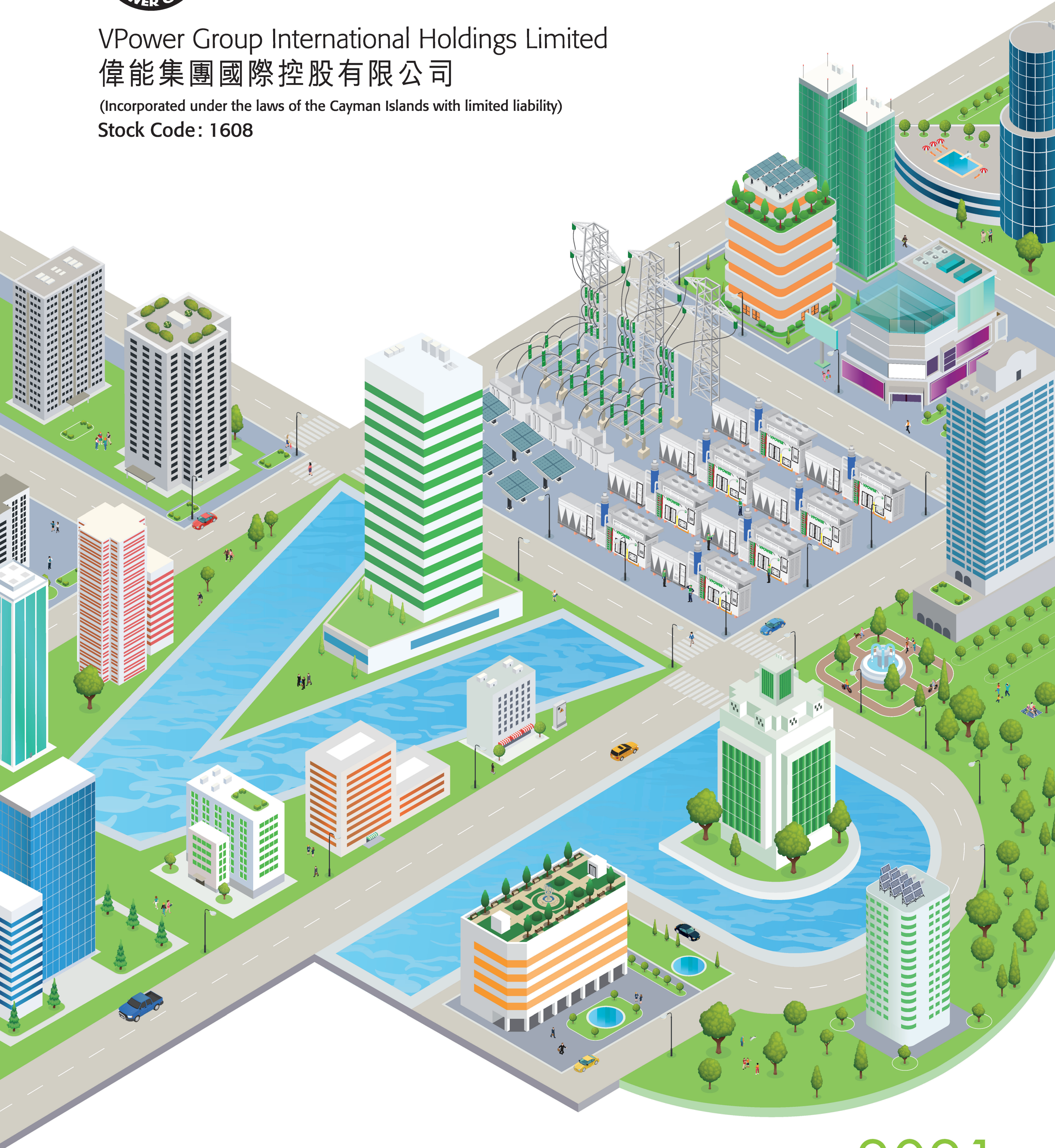
VPower Group International Holdings Limited
偉能集團國際控股有限公司

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

Stock Code: 1608



ANNUAL REPORT 2021

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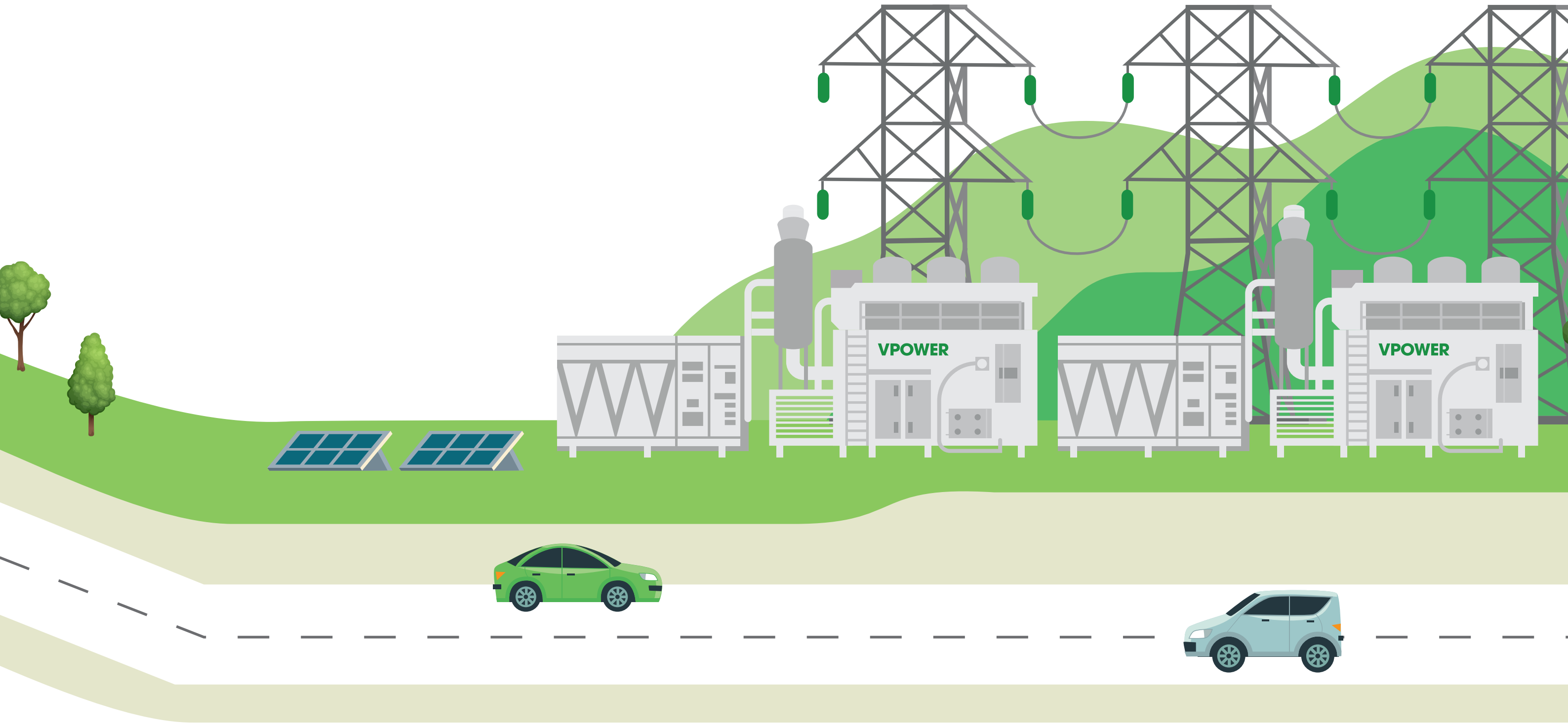


COMPANY PROFILE

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

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

Along with the global effort to combat climate change, we have a strong commitment to achieving carbon neutrality by 2050. We adopt strategies in line with our targets involving development of distributed integrated energy solutions that apply combined cooling, heat and power systems, renewables or new forms of fuel and storage. We also strive to further improve our operational efficiency and minimise the environmental impacts of our business.

We seek to build on our proprietary system design and integration capabilities and the market network developed over the past 20 years to effectively manage the risks and improve the efficiency of our expansion into new markets, and to continue to deliver efficient solutions and create sustainable value for all stakeholders.

We power the world, and light up possibilities.

5 YEARS AT A GLANCE

2021

- Garnered the ESG Leading Enterprise Award for the 3rd consecutive year
- Won multiple awards at the 7th HKIRA Investor Relations Awards

2020

- Established a joint venture to explore liquefied natural gas power generation market
- Became Rolls-Royce Power Systems AG's distributor in China

2019

- Commenced the first DPG station incorporated with waste heat-to-energy system in Southeast Asia
- Awarded Green Finance Pre-issuance Stage Certificates by HKQAA

2018

- Commenced the first biogas-to-power project in China
- Established Tamar VPower Energy Fund I for energy investment opportunities in countries along the Belt and Road Initiative

2017

- Commenced the first DPG station in Latin America in addition to presence in Asia

CHAIRMAN'S STATEMENT

Mr. Samson Lam
Executive Chairman and
Co-Chief Executive Officer

"With a focus on sustainability, we actively incorporate opportunities and risks emerged from climate change into operation and long-term business strategy, in order to seize opportunities and respond to market changes."

Dear Shareholders,

Looking back at 2021, the prolonged COVID-19 pandemic, coupled with the high fuel prices, had a significant impact on the energy sector. Despite the complex macro environment, the Group demonstrated resilience and adaptability in maintaining normal operation of power stations and fulfilling orders to provide our clients with safe and reliable electricity.

For the year ended 31 December 2021, revenue of the Group rose 50.4% to HK$5,094.1 million; gross profit was HK$812.5 million representing a slight year-on-year growth of 0.2%. However, due to the significant decreases in other income and gains and share of profits of joint ventures, profit attributable to the owners of the Company decreased 91.1% to HK$45.7 million.

CIRCUMSPECTLY, WE EVALUATE THE SITUATION AND SEIZE ENERGY TRANSITION OPPORTUNITIES

Stepping into 2022, variants and slow vaccine rollouts continue to fuel the COVID-19 pandemic in emerging markets and developing economies. At the same time, geopolitical tensions have affected energy supply, international trade and policy cooperation. As a result of prolonged health risks, surging energy price and supply chain disruption, the world confronts rising inflationary pressure which subdues economic growth. In addition, the current climate crisis poses a conspicuous threat to all economies. At the United Nations Climate Change Conference in Glasgow, the United Kingdom, countries reached the first ever agreement to phase down coal, but this deal has drawn criticism for falling short of the goal of limiting global warming to 1.5°C above pre-industrial levels. Regardless of whether more aggressive emission reduction plans will be introduced in the short run, energy transition is set and brings challenges and opportunities to the energy sector.

Tremendous business opportunities for clean and low-carbon energy have come along with the trend of energy transition. From the energy crisis in Europe in 2021, it was observed that the higher proportion of renewables in the energy mix, the greater contribution of natural gas-fired power generation brings to energy security. Distributed energy, an energy supply solution integrated with energy production and consumption adjacent to the end-users, also forms part of the market development trend because of its low transmission loss and enhanced energy efficiency. With years of experience in gas-fired power generation, leading distributed energy technologies and a comprehensive platform of liquefied natural gas (LNG) logistics through a joint venture, we provide our clients in different regions with one-stop distributed gas-fired power solutions which is also the key of our business development in the future. In recent years, we have been active in positioning our presence for integrated distributed energy business in China, and explored opportunities for complementary systems integrating gen-sets and renewable energy in Brazil and other countries. Our efforts are expected to come to fruition in the coming two to three years.

GEOGRAPHICALLY, WE DEVELOP CUSTOMISED AND COMPREHENSIVE DISTRIBUTED ENERGY

Gas-fired power station in the United Kingdom

Under the dual impacts of globalisation and reterritorialisation, energy markets in different countries confront not only common challenges but also specific risks. It is our key strategy to develop a project portfolio with geographical diversity in order to balance opportunity and risk. We will maintain our current investment in emerging countries, and will invest more in regions where power sectors are marketised or under marketisation so as to seize the opportunities emerged from the rising demand for distributed gas-fired power solutions integrated with solar and battery storage as baseload and peak shaving power as well as electricity trading.

Facing a complex macro environment and an intensifying crisis of climate change, we are firmly determined to overcome challenges and maintain steady development with a focus on improving management effectiveness and efficiency, enhancing cost and expense control and protecting our employees' health in the near future. In view of some expired short-term contracts, the gen-sets will be redeployed to new projects leveraging on the redeployable, reusable and plug and play design of our power stations in order to increase revenue and reduce capital expenditure. Meanwhile, we are actively developing fuel flexible gas gen-sets to operate on a blend of hydrogen and natural gas with the targets to achieve a 10% hydrogen blend this year, and 25% and 100% blends in 2023 and 2025 respectively. We will also set out a roadmap of decarbonisation and develop a prudent business plan, with an aim to phase out pure diesel power projects by 2030 and achieve carbon neutrality by 2050.

The COVID-19 pandemic has caused serious disruption to the order of economy and society, as well as accelerated the development of current trends. In this new era with uncertainties, we will regularly review our strategies to ensure steady progress towards our target of carbon neutrality, and maintain our communication and cooperation with major stakeholders consolidating the sustainable development of the Group. With the joint efforts of our management team, employees and business partners, we are confident in seizing opportunities to improve the diversity and sustainability of revenue and contribute to our carbon-free future as a leader of distributed power generation industry.

Community programme to promote environmental protection

TOGETHER, WE CREATE SUSTAINABLE VALUES

On behalf of the board of directors of the Company (the "**Board**"), I wish to express our heartfelt thanks to our clients, partners and each of you for the unwavering trust and support, as well as all employees for their contributions to cope with the challenges posed by the pandemic last year. We will make the utmost effort to tide over the difficulties together with our partners and achieve sustainable development.

Samson Lam
Executive Chairman and Co-Chief Executive Officer

29 March 2022

BUSINESS OVERVIEW

Market Review

In 2021, the global economy rebounded along with the expansive COVID-19 vaccination coverage and relaxed preventive measures in countries. While the economic recovery boosted the energy demand worldwide, a significant mismatch between supply and demand in the energy market arose due to multiple issues on the supply side such as insufficient production, shrinking stocks and increased transportation cost. The soaring prices of traditional fuels including natural gas, coal and oil caused by supply chain bottlenecks weighed further on the energy sector.

Under the threat of global warming, the world suffered a great loss in economy and human lives last year as a consequence of frequent floods, droughts, heatwaves and cold waves. The occurrence of these intensified climate disasters on one hand made the global community more determined to combat climate change, but on the other hand accentuated the dependence of renewable energy on the environment. It was indeed a difficult year for many countries to provide stable and reliable electricity with intermittent energy sources such as wind and hydro power owing to different climate issues. Without other alternatives, governments had to increase the use of natural gas for electricity generation which exacerbated the pressure on natural gas supply.

The imbalance of energy demand and supply was considered a worldwide challenge. Not only did the United Kingdom suffer fuel shortage, Europe, China and India also faced gas, electricity and coal shortages respectively. Midstream and downstream corporations were the hardest hit among the energy sector. In the face of adversity, many electricity providers scaled down their production or even suspended business, with a change in focus of business strategies from active expansion to maintaining business stability and sustainable development.

Biodiesel-fired power station in Brazil

Business Review

Despite the prolonged COVID-19 pandemic and global energy shortage, we remained committed to providing our clients with reliable power solutions. Thanks to the effective adjustment of operation plan, stock management of components and parts, and dedicated efforts of our staff, the two business segments of the Group maintained stable and smooth operation in this complicated environment.

System Integration ("SI") Business

Supported by a strong customer base and sales network, our SI business recorded a growth in spite of the supply chain disruption. Revenue from SI business for the year ended 31 December 2021 was approximately HK$3,665.9 million (2020: approximately HK$2,169.9 million), representing an increase of 68.9% which was mainly contributed by income from various sectors including data centres, power stations, industrials, rental and events and marine, and revenue from technical services and construction services of approximately HK$1,265.3 million.

Investment, Building and Operating ("IBO") Business

Currently, we have IBO projects located in mature markets such as China and the United Kingdom, as well as emerging and developing markets including Myanmar, Indonesia, Peru and Brazil. This relatively diverse geographical distribution helps us mitigate impacts from the structural change and geopolitical tensions of a single market on our IBO business. For the year ended 31 December 2021, revenue from IBO business was approximately HK$1,428.2 million, representing a year-on-year growth of 17.3%. The growth was mainly contributed by the increase in revenue from the progressive operation commencement of our projects in Brazil which comprises mostly amounts representing fuel costs expensed for the off-taker.

A Workforce of
1,200+
in different regions

6 Countries
with our power stations

20+ Countries
with business network

OUR CLIENTS COME FROM DIVERSE SECTORS

Data Centres
Looking for dependable electricity supply in support of their uninterrupted operation

Power Stations
Pursuing high stability to maintain their electricity supply for end-users

Marine
Searching for reliable and cost-effective products to keep their machinery running onboard

Industrials
Seeking efficient integrated systems to process heat and electricity

Governments
Questing flexible supply to meet the demand for baseload and peak shaving power

Significant Investments

(i) CNTIC VPower Group Holdings Limited ("CNTIC VPower")

CNTIC VPower owns and operates three power projects, namely the Thaketa, Thanlyin and Kyauk Phyu III projects (collectively the "**Joint Venture Projects**"), in Myanmar. With the phased operation commencement of the Joint Venture Projects since 2020, CNTIC VPower has been committed to providing stable electricity to the people of Myanmar, and improving their livelihood through community development support and employment opportunities.

Since the beginning of 2021, the overall changes in political, economic and social environments in Myanmar have brought challenges to the operation of CNTIC VPower, resulting in a less-than-expected generation and income from Joint Venture Projects. Meanwhile, CNTIC VPower has made a provision for expected credit losses of trade receivables in accordance with relevant accounting standards, and recorded both realised and unrealised foreign exchange loss. All things considered, its profit for the year significantly decreased as compared to that of 2020. For the year ended 31 December 2021, CNTIC VPower made a contribution of approximately HK$6.4 million to the Group's profit. As at 31 December 2021, our total investment cost in CNTIC VPower was approximately HK$700.4 million; its carrying value was approximately HK$913.1 million, representing approximately 8.8% of the Group's total assets.

Under the continued impacts from, among other things, international political condition, significant drop in foreign exchange volume in Myanmar, fluctuation of oil and gas prices and the COVID-19 pandemic, CNTIC VPower has temporarily suspended the power generation of two projects altogether since December of 2021, pending for implementation of arrangements for resolution of the problems arising from the current challenging business environment.

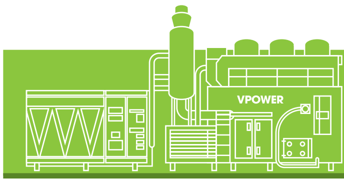
We anticipate that it may take time for CNTIC VPower to negotiate with related parties and implement solutions, and hence the generation of its projects will not reach expectation in a short period of time. CNTIC VPower is diligently controlling its administrative expenses while the near-term profit will nevertheless be affected by the depreciation charged on assets. As we remain optimistic about the prospects of LNG-to-power market globally, CNTIC VPower is considered a long-term investment of the Group in this market. We are of the opinion that, with the support and assistance from the Group and the other shareholder, CNTIC VPower will continue its active engagement with other major stakeholders to resolve the ongoing issues together.

(ii) Tamar VPower Energy Fund I, L.P. (the "Fund")

We joined hands with CITIC Pacific Limited to explore the opportunities in the energy sector in countries along the Belt and Road Initiative through the Fund in 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. For the year ended 31 December 2021, the Group received distribution of approximately HK$30.6 million from the Fund and recorded a share of profit of approximately HK$3.0 million. As at 31 December 2021, our total investment cost in the Fund was approximately HK$809.8 million; and its carrying value was approximately HK$833.0 million, representing around 8.0% of the Group's total assets.

Power Project Portfolio

The following table shows the power projects of the Group[1] as of 31 December 2021:



	Our equity interest	Gross capacity (MW)[2]	Contract length (months)[3]
Indonesia			
Teluk Lembu I	100%	20.3	12
Teluk Lembu II	100%	65.8	6
Rengat	100%	20.3	12
Muko	100%	6.5	12
Dumai[4]	100%	18.7	180
Myanmar			
Kyauk Phyu I	100%	49.9	7
Myingyan I[5]	100%	149.8	7
Myingyan II	100%	109.7	60
Yangon	100%	4.7	48
Kyun Chaung	100%	23.2	24
China			
Shandong	100%	14.4	180
Latin America			
Iquitos	51%	79.8	240
Amazonas State	100%	70.3	60–180
United Kingdom			
Doncaster	100%	20.3	180
Other projects	100%	132.0	180
Joint Venture Projects			
Thaketa	50%	477.1	60
Thanlyin	50%	410.2	60
Kyauk Phyu III	50%	172.2	60
Total capacity		1,845.2	

Notes:

(1) It includes the capacity of projects in operation, in trial operation, under contract renewal and under construction. Two of the Joint Venture Projects have been temporarily suspended for power generation.

(2) Gross capacity refers to the maximum power generating capacity of the distributed power station based on an aggregate capacity of power generation systems.

(3) Contract length refers to the term of the contract in respect of the distributed power projects.

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

(5) It includes the installed capacity of a distributed power station located in Magway, Myanmar.

Financial Review

Revenue

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
SI	**3,665,925**	2,169,865
IBO	**1,428,154**	1,217,071
Total	**5,094,079**	3,386,936

In 2021, the Group recorded a revenue of approximately HK$5,094.1 million, representing an increase of 50.4% as compared with approximately HK$3,386.9 million of the previous year. The increase in revenue was mainly due to the growth of both business segments. Please refer to the paragraph headed "Business Review" for the increase in revenue.

Revenue by geographical locations

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

	Year ended 31 December			
	2021		2020	
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Hong Kong, Macau and Mainland China	**1,481,445**	**29.1**	969,473	28.6
Other Asian countries[1]	**2,049,370**	**40.2**	1,001,401	29.6
Other countries	**135,110**	**2.7**	198,991	5.9
Total	**3,665,925**	**72.0**	2,169,865	64.1

Note:

(1) Other Asian countries mainly include Singapore, Myanmar, Bangladesh and United Arab Emirates.

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

	Year ended 31 December			
	2021		2020	
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Peru[1]	**484,651**	**9.5**	452,319	13.4
Brazil[1]	**424,397**	**8.3**	154,391	4.6
Myanmar	**381,983**	**7.5**	461,788	13.5
Indonesia	**68,343**	**1.3**	75,586	2.2
Mainland China	**28,872**	**0.6**	26,571	0.8
United Kingdom	**21,386**	**0.4**	—	—
Sri Lanka	**18,522**	**0.4**	46,416	1.4
Total	**1,428,154**	**28.0**	1,217,071	35.9

Note:

(1) Revenue comprises amounts representing fuel cost expensed for off-takers.

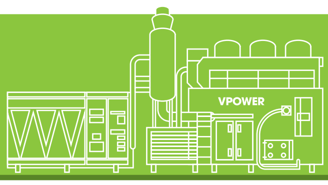
Cost of sales

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

Under our IBO business, our cost of sales mainly includes depreciation and operating expenses. We engage contractors for labour outsourcing.

For the years ended 31 December 2021 and 2020, our cost of sales was HK$4,281.6 million and HK$2,575.8 million, respectively. The increase was due to the growth of both SI and IBO businesses, in particular, the increase in pass-through fuel cost in the IBO projects.

Gross profit and gross profit margin



	Year ended 31 December			
	2021		2020	
	HK$'000	gross profit margin %	HK$'000	gross profit margin %
SI	**404,474**	**11.0**	403,218	18.6
IBO	**408,039**	**28.6**	407,908	33.5
Total	**812,513**	**16.0**	811,126	23.9

Gross profit of the Group was approximately HK$812.5 million, representing a slight increase of HK$1.4 million as compared with approximately HK$811.1 million of the previous year. Gross profit margin for this year decreased to 16.0% from 23.9% in 2020 which was mainly attributable to the increase in construction services revenue in SI business which has low gross profit margin and the increase in pass-through fuel cost in IBO business.

Profit before tax

Profit before tax for the year ended 31 December 2021 was approximately HK$106.7 million, representing a decrease of 81.7% as compared with HK$582.4 million of the previous year. The decrease was mainly due to a decrease in other income and gains and a decrease in share of profits of joint ventures.

Other income and gains, net

In 2021, other income and gains, net of the Group amounted to approximately HK$12.0 million, representing a decrease of 93.2% as compared with approximately HK$175.5 million of the previous year. The decrease was mainly attributable to a consultancy income recognised during the year ended 31 December 2020 which did not exist in the year ended 31 December 2021.

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. In 2021, selling and distribution expenses of the Group decreased by 12.4% from approximately HK$33.1 million in 2020 to HK$29.0 million.

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 2021, administrative expenses of the Group were approximately HK$408.6 million, representing an increase of 18.5% over the previous year of approximately HK$344.8 million. The increase was mainly due to the increase in depreciation charge, demobilisation cost and expenses related to the COVID-19 pandemic.

Other expenses, net

Other expenses, net of the Group mainly consist of foreign exchange loss, impairment of trade receivables, loss on disposal of items of property, plant and equipment and write-down of inventories to net realisable value.

In 2021, other expenses, net were approximately HK$79.2 million, which represented an increase of 14.3% over the previous year of approximately HK$69.3 million. The increase was mainly attributable to the increase in foreign exchange loss emerged from operation in Myanmar and impairment of trade receivables.

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 lease liabilities and other borrowings. In 2021, finance costs were approximately HK$210.4 million, which represented a decrease of 4.6% as compared with the previous year of approximately HK$220.5 million. The decrease was primarily due to the decrease in average borrowing interest rate.

Income tax expense

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In 2021, income tax expense was approximately HK$49.9 million, representing a decrease of 12.3% compared with the previous year of approximately HK$56.9 million, and our effective tax rate was 46.8% and 9.8% for 2021 and 2020, respectively.

Profit attributable to owners and earnings per share

In 2021, profit attributable to owners of the Company was approximately HK$45.7 million, representing a decrease of approximately HK$470.6 million or approximately 91.1% as compared with approximately HK$516.3 million of the previous year.

Basic earnings per share for the year ended 31 December 2021 were HK1.72 cents as compared with HK19.96 cents (restated) of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2021, total current assets of the Group amounted to HK$4,976.9 million (2020: HK$3,348.1 million). In terms of financial resources as at 31 December 2021, cash and cash equivalents of the Group were HK$462.4 million (2020: HK$978.2 million).

As at 31 December 2021, total bank and other borrowings and senior notes of the Group amounted to approximately HK$3,852.0 million (2020: HK$3,188.9 million), representing an increase of approximately 20.8% as compared to that of 31 December 2020. The Group's bank and other borrowings include short-term loans with one-year maturity and term loans with maturity within three years. As at 31 December 2021, the Group's bank and other borrowings and senior notes denominated in United States dollars ("**USD**"), Hong Kong dollars, Brazilian Real ("**BRL**"), Peruvian Sol ("**PEN**"), Euro, Great British Pound ("**GBP**") and Renminbi ("**RMB**") were approximately HK$3,619.2 million (2020: HK$2,790.7 million), approximately HK$145.7 million (2020: HK$277.7 million), approximately HK$48.3 million (2020: Nil), approximately HK$13.1 million (2020: HK$18.8 million), approximately HK$9.8 million (2020: HK$101.7 million), approximately HK$9.4 million (2020: Nil) and approximately HK$6.5 million (2020: Nil), respectively.

During the year, the Group completed a US$187 million unsecured sustainability-linked syndicated term loan which includes a three-year facility and a thirty-month facility to refinance the loan maturing in 2021 and 2022.

As at 31 December 2021, the Group's current ratio was 1.1 (2020: 1.0). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 65.9% (2020: 61.9%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 63.1% (2020: 57.9%). 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 92.8% (2020: 60.5%). The net gearing ratio, adjusted by excluding the senior notes issued by a non-wholly owned subsidiary which are non-recourse to the Company and/or other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 73.5% (2020: 40.4%).

Charge of Assets

As at 31 December 2021, the Group's senior notes, and interest-bearing bank and other borrowings were secured by charges on (i) certain of the Group's property, plant and equipment with a net book value of approximately HK$763.3 million (2020: HK$824.0 million); (ii) the equity interest in Genrent del Peru S.A.C., a 51%-owned subsidiary; (iii) restricted cash of HK$61.2 million (2020: HK$66.6 million); and (iv) pledged deposit of HK$38.7 million (2020: HK$37.1 million).

Exposure on Foreign Exchange Fluctuations

The Group's revenue and payments are mainly in USD, Euro, RMB, GBP, PEN, Myanmar Kyat ("**MMK**"), BRL, Indonesian Rupiah ("**IDR**") and Sri Lankan Rupee ("**LKR**"). 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 purchases that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, BRL, IDR, RMB, MMK, PEN and GBP. A majority of the Group's purchases are either in Euro or USD. During the year ended 31 December 2021, the Group entered into forward currency contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely follow the hedging policy and monitor its overall foreign exchange exposure from time to time to minimize the relevant exposures.

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

Contingent Liabilities

As at 31 December 2021, the Group had no contingent liabilities.

Capital Expenditures

For the year ended 31 December 2021, the Group invested approximately HK$107.3 million (2020: HK$272.0 million) in property, plant and equipment of which HK$106.1 million (2020: HK$270.9 million) relate to IBO projects.

EMPLOYEES

As at 31 December 2021, the Group had 580 employees (2020: 628). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus in cash and shares of the Company to motivate valued employees. In 2021, the Group provided internal and external trainings (e.g. orientation training, on-the-job training, product training and site safety training) to enrich the knowledge and skills of our employees.

EXECUTIVE DIRECTORS

Mr. Lam Yee Chun

Alias Samson Lam, aged 50, was appointed as an Executive Director of the Company in February 2016 and a Co-Chief Executive Officer of the Group in October 2021. He is a Co-founder and the Executive Chairman of the Group, a member of the Company's Nomination Committee and a director of various subsidiaries of the Company. Mr. Lam is principally responsible for the Group's strategic developments in both commercial and technical aspects. He is also responsible for formulating overall mission and vision of the Group, providing leadership of the Board, performing his duties under the Nomination Committee and providing top-level leadership of the general management of the Group.

Mr. Lam has more than 25 years of experience in entrepreneurship, general management, project management, supply chain management, system integration and operation and maintenance in the engine-based power generation industry. He has years of experience in designing power generation systems for various applications, including backup power, data centre, flexible power, prime use in emergency situations such as disasters and power outages as well as continuous power generation of power stations.

Mr. Lam was awarded the Young Industrialist Awards of Hong Kong 2016 by the Federation of Hong Kong Industries and the Owner-Operator Award at the DHL/SCMP Hong Kong Business Awards 2017 for his outstanding achievement as an entrepreneur and power generation solution provider. He obtained a higher certificate in building services engineering from the Hong Kong Polytechnic University in November 1997. Mr. Lam is an executive committee member and Hong Kong and Mainland affairs committee member of Hong Kong Young Industrialists Council in the year of 2021-2022. He is also a member of the Hong Kong Trade and Development Council Mainland Business Advisory Committee.

Mr. Lam is the spouse of Ms. Chan Mei Wan, the Vice Chairwoman of the Group and a Non-executive Director of the Company.

Mr. Lee Chong Man Jason

Aged 52, was appointed as an Executive Director of the Company in April 2016. He is a Co-founder and a Co-Chief Executive Officer of the Group and a director of various subsidiaries of the Company. Mr. Lee is responsible for formulating overall corporate strategies and policies, general management and day-to-day operation of the Group.

Mr. Lee has more than 20 years of experience in general management, global sales, distribution, project management, business development, power monitoring, power quality control and power saving in the engine-based power generation industry, as well as setting business strategies, direction and goals.

Mr. Lee obtained a bachelor of science in electrical engineering from University of Calgary, Canada in June 1994.

Mr. Lo Siu Yuen

Aged 51, joined the Group in September 2011 and was appointed as an Executive Director of the Company in April 2016. He is also the Chief Operation Officer of the Group and a director of various subsidiaries of the Company. Mr. Lo is responsible for human resources planning of the Group, formulating overall corporate strategies and policies in relation to the project functional operation and overseeing ongoing project functional business operations including procurement and logistics.

Mr. Lo has been a certified public accountant since July 1998 with over 25 years of experience in accounting, auditing, and financial management. He had served as various managerial, consultant, compliance and/or auditing roles from 1994 to 2011 including as the senior consultant of various consulting companies between February 2008 and August 2011, as a compliance officer of CITIC-Prudential Life Insurance Company Limited from January 2006 to December 2007, as the assistant compliance manager and compliance manager of American International Assurance Company (Bermuda) Limited from January 2003 to January 2006. Mr. Lo joined Hong Kong Exchanges and Clearing Limited in June 2001 and was an assistant manager of the group international audit business unit prior to his departure in January 2003. He worked for First Pacific Bank Limited from December 1999 to May 2001 with his last position being a manager and was an associate and senior associate of PricewaterhouseCoopers Ltd. from April 1997 to December 1999. Mr. Lo also practised audits and accountancy in W. M. Sum & Co. from September 1994 to March 1997.

Mr. Lo obtained a master of science in computer science from Victoria University of Technology in February 2004 and bachelor of business administration in applied economics from Hong Kong Baptist University in December 1994.

NON-EXECUTIVE DIRECTORS

Ms. Chan Mei Wan

Aged 49, joined the Group in June 2001 and was appointed as a Non-executive Director of the Company in April 2016. She is the Vice Chairwoman of the Group and a member of the Company's Audit Committee and Remuneration Committee, and a director of certain subsidiaries of the Company. Through assisting Mr. Lam Yee Chun ("**Mr. Lam**") and Mr. Lee Chong Man Jason, she was heavily involved in the founding of the Group. Ms. Chan is responsible for advising on key human resources and financial matters and performing her duties as a Non-executive Director through the Board, the Audit Committee and the Remuneration Committee.

Ms. Chan has more than 20 years of experience in entrepreneurship, general management, corporate administration and human resources. Ms. Chan supported Mr. Lam's power generation system business since its founding and worked closely with Mr. Lam to expand the Group's business. She also assisted in the setup of the current operation system, corporate reorganisation and staff welfare scheme.

Ms. Chan is the spouse of Mr. Lam, the Executive Chairman and a Co-Chief Executive Officer of the Group.

Mr. Kwok Man Leung

Aged 53, was appointed as a Non-executive Director of the Company in April 2017.

Mr. Kwok is the executive vice president and a director of CITIC Pacific Limited ("**CITIC Pacific**"), a wholly-owned subsidiary of CITIC Limited (listed on the Hong Kong Stock Exchange, stock code: 267). Mr. Kwok joined CITIC Pacific in 1993, having over 25 years of experience in leading large-scale projects including corporate mergers and acquisitions, listing, investment evaluation, business negotiation and strategies setting. Mr. Kwok is a Chartered Financial Analyst. He is a director of certain member companies of CITIC Limited involved in iron ore mining and of certain member companies of CITIC Pacific involved in special steel, energy, property and infrastructure business. He is in charge of the business development and human resources and administration of CITIC Pacific. Mr. Kwok is also a director of CITIC Pacific Special Steel Group Co., Ltd. (formerly known as Daye Special Steel Co., Ltd.) (listed on the Shenzhen Stock Exchange, stock code: 000708). Mr. Kwok is currently a director of Dah Chong Hong Holdings Limited (the listing of its shares (stock code: 1828) on the Hong Kong Stock Exchange was withdrawn on 10 January 2020). Mr. Kwok was a non-executive director of Dah Chong Hong Holdings Limited prior to its delisting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Tsoi

Aged 74, was appointed as an Independent Non-executive Director of the Company in October 2016. He is also the Chairman of the Company's Audit Committee and a member of the Nomination Committee.

Mr. Tsoi has been a director of Alloitt, Tsoi CPA Limited since January 2006. He has been a certified public accountant since September 1981 with over 35 years of experience in accounting, auditing and financial management. Mr. Tsoi is a certified public accountant registered at the Hong Kong Institute of Certified Public Accountants and a certified tax adviser registered at the Taxation Institute of Hong Kong; and has been a fellow of the Association of Chartered Certified Accountants since September 1981; a fellow of the Institute of Chartered Accountants in England & Wales since May 2015; a member of the Society of Chinese Accountants & Auditors since April 1987 and a fellow since December 2015; a fellow of the CPA Australia since November 2009; and a member of the Chartered Professional Accountants of British Columbia, Canada since June 2015. He obtained a master of business administration in October 1986 from the University of East Asia Macau (currently known as University of Macau).

Mr. Tsoi has been an independent non-executive director of Universal Technologies Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 1026) since June 2013; Guru Online (Holdings) Limited (listed on the Hong Kong Stock Exchange, stock code: 8121) since May 2014; Green International Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 2700) since June 2017; Tianli Holdings Group Limited (listed on the Hong Kong Stock Exchange, stock code: 117) since August 2017; Everbright Grand China Assets Limited (listed on the Hong Kong Stock Exchange, stock code: 3699) since January 2018; and InvesTech Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 1087) since May 2021.

Mr. Yeung Wai Fai Andrew

Aged 49, was appointed as an Independent Non-executive Director of the Company in October 2016. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit Committee.

Mr. Yeung is the vice president of Huijing Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 9968). He has over 21 years of experience in investment and private banking. Mr. Yeung was the managing director of Titan Financial Services Limited between October 2018 and June 2019. He was the deputy chairman and a non-executive director of Qianhai Health Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 911) between January 2017 and June 2018. He was an independent non-executive director of Huabang Financial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 3638) between June and September, 2016 and was an non-executive director between June 2018 and January 2019. He had been the head of investment banking and advisory of Kim Eng Securities (Hong Kong) Limited from July 2015 to October 2016. He was the head of corporate finance advisory of Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, from August 2014 to May 2015. Prior to joining Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, he was the managing director of DBS Asia Capital Limited and he had worked at DBS Asia Capital Limited for over 10 years. Mr. Yeung worked as the corporate finance associate in BNP Paribas Peregrine Capital Limited from April 2000 to May 2002 and was a manager of KPMG Hong Kong between 1994 to 2000.

Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor of arts (Hons) in accountancy in 1994. He has been a certified public accountant with the Hong Kong Institute of Certified Public Accountants.

Mr. Suen Wai Yu

Aged 44, was appointed as an Independent Non-executive Director of the Company in October 2016. He is also the Chairman of the Company's Nomination Committee and a member of the Remuneration Committee.

Mr. Suen is the chief legal officer of ANTA Sports Products Limited (listed on the Hong Kong Stock Exchange, stock code: 2020) and responsible for overseeing all its legal, compliance and regulatory matters. He has over 18 years of experience in advising companies on capital and debt market transaction, merger and acquisition, commercial and project financing, regulatory and compliance, and dispute resolution. Prior to joining ANTA Sports Products Limited, he was the group legal counsel and company secretary of Haitian International Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 1882) between August 2010 and February 2019. Mr. Suen worked in private practice as a solicitor from 2003 to 2010.

Mr. Suen obtained a bachelor of laws in November 2000 and a postgraduate certificate in laws (PCLL) in June 2001 from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since September 2003.

The board of directors (the "**Board**") of VPower Group International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance. The Board recognizes that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and safeguarding the interests of the shareholders of the Company (the "**Shareholders**") and other stakeholders of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code ("**Code Provision**") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the following deviation:

Code Provision C.2.1 of the Corporate Governance Code (prevailing Code Provision A.2.1 of the Corporate Governance Code in 2021) provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of the Executive Chairman of the Company and Co-Chief Executive Officer of the Group have been both performed by Mr. Lam Yee Chun ("**Mr. Lam**"), an Executive Director of the Company, with effect from 1 October 2021. In view of the profound knowledge and experience of Mr. Lam in the operation and business of the Group and in the industry, the Board is of the view that it is appropriate and in the best interest of the Company to vest the roles of the Executive Chairman and a Co-Chief Executive Officer in Mr. Lam for the time being to ensure effective and efficient execution of the Group's strategies and the management's decisions; and the existing composition of the management team and Mr. Lee Chong Man Jason's role as the other Co-Chief Executive Officer of the Group is able to achieve a balance of power and authority for Mr. Lam taking up the dual roles in the Group. The Company reviews the structures of the Board and the management team as well as all relevant arrangements and measures from time to time to ensure that effective management and internal control systems are in place.

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 the directors of the Company (the "**Directors**"), the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by directors during the year ended 31 December 2021.

BOARD OF DIRECTORS

Board's Role and Function

The Board takes responsibility for the formulation of the overall strategy, leadership and control of the Group such as the Group's long-term objectives and strategies, the Group's corporate and capital structure, financial reporting, internal controls and risk management, communication with the Shareholders, appointment and remuneration of board members and corporate governance matters.

Board's Delegation

The Board, led by the Chairman, approves and monitors group-wide strategies and policies, evaluates the performance of the Group and supervises the management and operation teams. To enhance efficiency, the Board has delegated to the Co-Chief Executive Officers the day-to-day leadership and management of the Group. The executives and managers of the Group, on the other hand, are responsible for supervising and managing the day-to-day operation of the Group under the leadership of the Co-Chief Executive Officers.

Board's Responsibilities for the Consolidated Financial Statements

The Board acknowledges its responsibilities in preparing the consolidated financial statements of the Group and ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the statutory requirements, the Listing Rules and applicable standards.

The statement of the external auditor of the Company concerning its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 56 of the annual report, of which this corporate governance report forms part (the "**Annual Report**").

Board Composition

The composition of the Board during the year ended 31 December 2021 is as follows:

Executive Directors

Mr. Lam Yee Chun, *Executive Chairman and Co-Chief Executive Officer*
(appointed as Co-Chief Executive Officer from 1 October 2021)
Mr. Au-Yeung Tai Hong Rorce, *Co-Chief Executive Officer*
(ceased to be a Director and a Co-Chief Executive Officer on 1 October 2021)
Mr. Lee Chong Man Jason, *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

Save as Mr. Lam Yee Chun and Ms. Chan Mei Wan who have spousal relationship, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Mr. Au-Yeung Tai Hong Rorce retired as an Executive Director of the Company and a Co-Chief Executive Officer of the Group; and Mr. Lam Yee Chun was appointed as a Co-Chief Executive Officer of the Group, both with effect from 1 October 2021. There was no other change to the composition of the Board or the Board committees during the year ended 31 December 2021. Brief biographical details of each Director (including his/her age, gender, term of office, professional qualification and experience) are set out under the section headed “Directors” on pages 18 to 21 of the Annual Report.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his own personal particulars that may affect his independence. No such notification was received during the year ended 31 December 2021. The Company has received a written confirmation on independence from each Independent Non-executive Director and considers all of the Independent Non-executive Directors to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Chairman and Co-Chief Executive Officers

Mr. Au-Yeung Tai Hong Rorce retired as an Executive Director of the Company and a Co-Chief Executive Officer of the Group; and the Executive Chairman, Mr. Lam Yee Chun, was appointed as Co-Chief Executive Officer of the Group, both with effect from 1 October 2021.

The Executive Chairman, Mr. Lam Yee Chun, is responsible for overseeing the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information timely. The Co-Chief Executive Officers, Mr. Lee Chong Man Jason and Mr. Lam Yee Chun, are responsible for managing the business of the Group and leading the executives and managers to implement strategies and to achieve objectives of the Board.

Board Meetings and Process

The Board held 4 meetings during the year ended 31 December 2021. Executives and project managers are invited to attend Board meetings to brief the Board members on issues considered by the Board where appropriate.

Directors' attendance record of Board meetings and a Shareholders' meeting held during the year ended 31 December 2021 is as follows:

		Board Committees			
	Board	Audit	Remuneration	Nomination	Shareholders
Number of meetings held during the year	4	3	2	2	1
Executive Directors					
Mr. Lam Yee Chun, *Executive Chairman and Co-Chief Executive Officer (appointed as Co-Chief Executive Officer from 1 October 2021)*	4/4	—	—	2/2	1/1
Mr. Au-Yeung Tai Hong Rorce, *Co-Chief Executive Officer (ceased to be a Director and a Co-Chief Executive Officer on 1 October 2021)*	2/2	—	—	—	1/1
Mr. Lee Chong Man Jason, *Co-Chief Executive Officer*	4/4	—	—	—	1/1
Mr. Lo Siu Yuen, *Chief Operation Officer*	4/4	—	—	—	1/1
Non-executive Directors					
Ms. Chan Mei Wan, *Vice Chairwoman*	4/4	3/3	2/2	—	1/1
Mr. Kwok Man Leung	4/4	—	—	—	1/1
Independent Non-executive Directors					
Mr. David Tsoi	4/4	3/3	—	2/2	1/1
Mr. Yeung Wai Fai Andrew	4/4	3/3	2/2	—	1/1
Mr. Suen Wai Yu	4/4	—	2/2	2/2	1/1

Board Tenure

As stipulated by the Company's Articles of Association, all Directors (including Non-executive Directors) are required to retire by rotation at least once every three years and may seek for re-election at annual general meetings. At each annual general meeting, one-third of the Directors for the time being shall retire from office. Any new Director appointed to fill a casual vacancy is subject to re-election by Shareholders at the first general meeting after the appointment and any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting after the appointment.

Every Executive Director has entered into a director's service agreement with the Company for a term commencing from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

Every Non-executive Director (including Independent Non-executive Director) has entered into a letter of appointment with the Company for a term from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

Directors' Commitments

All Directors are committed to devoting sufficient time and attention to the affairs of the Group. They have disclosed to the Company the identity of public companies or organisations in which they have held offices, and the number and nature of the offices, as well as other significant commitments and are required to notify the Company of any changes of such information in a timely manner. Every Director has demonstrated that he or she gives sufficient time to the affairs of the Group.

Training and Professional Development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also organises and arranges seminars for and/or provides relevant training materials to Directors to help them understand the roles, functions and duties of being a director of a listed company and regulatory updates.

During the year ended 31 December 2021, the Company provided training materials for the Directors to keep them abreast of the latest development of, among other things, legal and other regulatory requirements and corporate governance. The Company has received the records of training from all the Directors.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee; each having specific roles, authorities and functions as detailed in the respective written terms of reference which are available on the Company's website *(www.vpower.com)*.

Audit Committee

Composition	**Independent Non-executive Directors** Mr. David Tsoi *(Chairman)* Mr. Yeung Wai Fai Andrew	**Non-executive Director** Ms. Chan Mei Wan
Role & functions*	(a) Consider the appointment of external auditor and its resignation or dismissal (b) Discuss with the external auditor before the audit commences, the nature and scope of the audit (c) Review half-year and annual financial statements before submission to the Board (d) Discuss matters arising from the audit, and any matters the external auditor may wish to discuss (e) Review the Group's risk management and internal control systems	
Summary of work performed in 2021	(a) Reviewed unaudited interim consolidated financial statements and audited annual consolidated financial statements of the Group with a recommendation to the Board for approval (b) Reviewed internal control and risk management framework of the Group (c) Reviewed progress reports on internal control, risk management and internal audit work implemented/planned by the Group (d) Discussed with auditors the audit planning of the Group (e) Met with external auditors in the absence of executive directors of the Company	

* The terms of reference of the Audit Committee are available on the Company's website (*www.vpower.com*).

Remuneration Committee

Composition	**Independent Non-executive Directors** Mr. Yeung Wai Fai Andrew *(Chairman)* Mr. Suen Wai Yu	**Non-executive Director** Ms. Chan Mei Wan
Role & functions*	(a) Consider the Group's policy and structure of remuneration of the Directors and senior management (b) Determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management (c) Review and approve the managements' remuneration proposals with reference to the Group's goals and objectives (d) Review compensation payable to Directors and members of the senior management relating to any loss or termination of their office or appointment	
Summary of work performed in 2021	(a) Reviewed the remuneration packages of Directors for the year ended 31 December 2021 (b) Reviewed the remuneration packages of members of the senior management for the year ended 31 December 2021 (c) Approved the adjustment to directors' fee of Directors	

The remunerations of the Directors were determined with reference to the prevailing directors' fees of comparable companies in Hong Kong, the duties and responsibilities of the Directors and the time commitment of the individual Directors.

* The terms of reference of the Remuneration Committee are available on the Company's website (*www.vpower.com*).

Nomination Committee

Composition	**Independent Non-executive Directors** Mr. Suen Wai Yu *(Chairman)* Mr. David Tsoi	**Executive Director** Mr. Lam Yee Chun
Role & functions*	(a) Review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy (b) Identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships (c) Assess the independence of Independent Non-executive Directors (d) Make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (e) Consider other topics and review other documents as may be reasonably requested by the Board periodically (f) Review the Board Diversity Policy	
Summary of work performed in 2021	(a) Nominated the retiring Directors for re-election by Shareholders at the annual general meeting of the Company held in 2021 (b) Reviewed and assessed individual Independent Non-executive Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules (c) Reviewed the structure, size and composition of the Board (d) Reviewed the Board Diversity Policy (e) Adopted the Nomination Policy (f) Considered and recommended to the Board the appointment of Mr. Lam Yee Chun, the Executive Chairman, as a Co-Chief Executive Officer of the Group	

* The terms of reference of the Nomination Committee are available on the Company's website (*www.vpower.com*).

Board Diversity Policy

A board diversity policy setting out the approach to achieve diversity of on the Board was adopted in October 2016. Under the policy:

(a) the Company recognises the benefits of having a diverse Board, and sees diversity at Board level as an essential element in achieving a sustainable and balanced development of the Company; and

(b) selection of candidates for directorship with the Company will be based on diversity of perspectives which can be achieved through consideration of a number of factors including but not limited to gender, cultural and educational background, regional and industry experience, talents and skills.

The Nomination Committee monitors the implementation of the policy and reviews the policy annually.

Nomination Policy

A nomination policy setting out the principles to nominate a suitable candidate to the Board for appointment was adopted in March 2021. Under the policy:

(a) the Company recognises the importance of having the comprehensive nomination principles to identify and evaluate a candidate for nomination to the Board; and
(b) nomination of candidates for directorship with the Company will be based on diversity of perspectives which can be achieved through consideration of a number of factors including but not limited to skills and experience, diversity, time commitment, standing of individuals and independence (for Independent Non-executive Directors).

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the Group's system of corporate governance and has performed and reviewed the corporate governance functions timely as required under the Corporate Governance Code set out in Appendix 14 of the Listing Rules. During the year ended 31 December 2021, the management team and executives of the Group, with powers delegated by the Board, review and monitor the Company's policies and practices on corporate governance and the Group's compliance with the Listing Rules including the Code Provisions from time to time.

The Board has applied the principles of the Corporate Governance Code to its corporate governance structure and practices.

COMPANY SECRETARY

Each of the Company Secretaries in 2021, namely Mr. Chan Kam Shing, who held office until 31 August 2021; and Ms. Wong Wai Man, who has held office since 1 September 2021, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. During the year ended 31 December 2021, each of the Company Secretaries took not less than 15 hours of relevant professional training.

EXTERNAL AUDITOR

Ernst & Young ("**EY**") was re-appointed as the Company's external auditor at 2021 annual general meeting of the Company until the conclusion of the next annual general meeting. In order to maintain independence, EY primarily provides audit services in connection with the Group's consolidated financial statements, and only provides non-audit services that do not impair their independence or objectivity.

Remuneration paid or payable to EY for audit and non-audit services for the year ended 31 December 2021 is set out below:

	HK$'000
Audit services	7,593
Non-audit services	
Tax compliance and advisory services	1,576
Total	9,169

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the design, implementation and monitoring of the Group's internal control systems and risk management procedures. The Board conducts regular review and evaluation of the effectiveness of the Group's risk management and internal control systems through the Internal Audit Department of the Group on a half-yearly basis.

The Internal Audit Department of the Group conducts internal audits with a view to providing the Board with reasonable assurance that the risk management and internal control systems of the Group are sound and effective. It compiles the Group Risk Register based on the ongoing review of the key risks and measures taken in response to such risks by the relevant business units and its assessment, and reports the Group Risk Register to the Audit Committee twice a year.

The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programme and budget.

The Internal Audit Department has reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2021 and found them effective and adequate. Details of the Group's key risks and mitigating measures are disclosed under the section headed "Risk Management" on pages 48 to 50 of the Annual Report.

DISCLOSURE OF INSIDE INFORMATION

The Company's management assesses the likely impact of the occurence of significant events that may impact the price of the shares of the Company or their trading volume, discusses with the Company Secretary, consults professional advisers where appropriate, and decides whether the relevant information is considered inside information and needs to be disclosed pursuant to the Listing Rules and the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

SHAREHOLDERS

Communication with Shareholders

As part of corporate governance, the Company is committed to safeguarding Shareholders' interests. To achieve this, the Company has established a Shareholders' Communication Policy (which is available on the Company's website (*www.vpower.com*)) and various channels of communication with the Shareholders and investment community.

The Company regards its Shareholders' meeting as a valuable forum for the Shareholders to raise comments and exchange views with the Board. All our Directors and executives make effort to attend Shareholders' meeting and address queries from Shareholders.

During the year ended 31 December 2021, the Company held one shareholders' meeting. Voting on resolutions put forward at the meeting was taken by way of poll and the poll results are published on the websites of the Company (*www.vpower.com*) and the Stock Exchange.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with the Shareholders through other channels such as publication of annual and interim reports, announcements, circulars as well as news releases (all in bilingual) so as to provide information on the Group's activities, financial position, business strategies and developments to enable them to make informed decision on matters relating to their investment and exercise of their rights as Shareholders. Such information is also available on the websites of the Company (*www.vpower.com*) and the Stock Exchange.

The Company's website is an effective means of communication with Shareholders. Any Shareholders who have comments for the Group are most welcomed to contact the Company at any time through the contact channels set out under "Investors" of the Company's website (*www.vpower.com*).

Shareholders' Rights

The Company recognises the importance of ensuring that Shareholders' rights are protected. Under the Company's Articles of Association, all Shareholders are entitled to attend or be represented by proxy and vote at general meetings; and Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings have the right to require an extraordinary general meeting to be convened and propose transaction of business by written requisition to the Board or the Company Secretary.

Shareholders have the right to propose person for election as Director. The relevant procedure for proposing a person for election as Director is set out under "Investors — Corporate Governance" of the Company's website (*www.vpower.com*).

DIVIDEND POLICY

A dividend policy setting out the approach to declare and distribute dividends was adopted in December 2018. Under the policy:

- the Board may declare and distribute dividends to the Shareholders.
- the Company in general meetings may declare dividends in any currency, which must not exceed the amount recommended by the Board.
- the Board may, subject to, among other things, the Company's Articles of Association, make recommendation to the Shareholders on the distribution of final dividends and may from time to time pay to the Shareholders interim dividends based on the financial position of the Company. Despite the aforesaid, there is no guarantee that any particular amounts of dividends will be distributed for any specific periods.
- the Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then considers relevant.
- the Company's declaration and payment of dividends shall also comply with, among other things, the Articles of Association of the Company as well as other applicable laws, rules and regulations in effect on the declaration and distribution of or otherwise in relation to dividends.
- the Company reviews this dividend policy from time to time.

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum of Association and Articles of Association (in both English and Chinese) are available on the websites of the Company (*www.vpower.com*) and the Stock Exchange.

No amendments were made to the Memorandum of Association and Articles of Association of the Company during the year ended 31 December 2021.

The Directors have pleasure in presenting the annual report and the audited consolidated financial statements of VPower Group International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 1 to the audited consolidated financial statements for the year ended 31 December 2021 (the "**Financial Statements**") on pages 64 to 65 of the annual report, of which this directors' report forms part (the "**Annual Report**"). There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Business Review and Future Development

The discussion on future development and business review of the Group for the year ended 31 December 2021 are set out under the section headed "Chairman's Statement" on pages 04 to 07 of the Annual Report and "Management Discussion and Analysis" on pages 08 to 17 of the Annual Report respectively.

Key Risks

The discussion on key risks of the Group and our responses and mitigating measures are set out under the section headed "Risk Management" on pages 49 to 50 of the Annual Report.

Discussion on Environmental Policies and Performance and Legal and Compliance

Environmental Policies and Performance

The Group, as a responsible provider of distributed power generation solutions, is dedicated to environmental protection. It has adopted various strategies, policies and arrangements in respect of greenhouse gas emissions, energy consumption, water resources consumption and waste management in its operations, details of which are discussed in the Sustainability Report 2021 of the Group. The Group pays great attention to its carbon footprints and has set a long-term target of carbon neutrality by 2050. To reduce emissions from the source, the Group actively promotes the use of natural gas, biogas and renewables in replacement of coal and diesel in power generation. It closely monitors the operational efficiency of its gen-sets and adopts green technologies such as waste-to-energy solutions and selective catalytic reduction system so as to control the emissions from operation.

Legal and Compliance

Environment

The Group is required to comply with the laws and regulations on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste, etc. It is imperative to meet these statutory obligations as violation of any of applicable environmental laws and regulations may result in penalties, operation suspension, or legal action against the Group. During the year ended 31 December 2021, the Group did not identify any confirmed non-compliance incident in relation to environmental protection that would have a significant impact on the Group.

Employment

The Group is required to comply with the legal obligations and responsibilities of employers to provide employment protection and benefits covering compensation and dismissal, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare, etc. During the year ended 31 December 2021, the Group did not identify any confirmed non-compliance incident in relation to our employment practices that would have a significant impact on the Group.

Health and Safety

The Group is required to comply with laws and regulations which provide requirements to safeguard work safety, prevent accidents in the process of labour, and reduce occupational hazards. During the year ended 31 December 2021, the Group did not identify any confirmed non-compliance incident in relation to health and safety of workers that would have a significant impact on the Group.

Relationship with Stakeholders

The stakeholders of the Group include internal and external interest groups and individuals who have a significant impact on the business of the Group or are significantly affected by the operations of the Group. During the year ended 31 December 2021, the Group had active dialogues with the stakeholders in learning their viewpoints, let them understand the business and enhance transparency. These dialogues not only helped formulate better sustainable development strategies of the Group, but also assisted in creating long-term value for all parties.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the financial position of the Group as at 31 December 2021 are set out in the Financial Statements on pages 57 to 60 at the Annual Report.

The board of directors of the Company (the "**Board**") does not recommend the payment of a final dividend for the year ended 31 December 2021.

An interim dividend with an option to receive new shares of the Company in lieu of cash of HK0.75 cent per share was paid to the shareholders of the Company during the year.

Details of the dividend are set out in note 11 to the Financial Statements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the forthcoming annual general meeting scheduled to be held on Friday, 10 June 2022 (the "**2022 AGM**"), the register of members of the Company will be closed during the period commencing from Tuesday, 7 June 2022 to Friday, 10 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2022 AGM, all transfer document(s), accompanied by the relevant share certificates, 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 Monday, 6 June 2022.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the last five financial years, is set out on page 164 of the Annual Report. The summary does not form part of the Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year ended 31 December 2021 are set out in notes 33 and 34 to the Financial Statements.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Associations, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders although there are no restrictions against such rights under the laws of Cayman Islands.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution amounted to HK$2,108.6 million.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$177,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate percentage of sales attributable to the Group's five largest customers was approximately 79.1% of the Group's total revenue and the percentage of sales attributable to the Group's largest customer was approximately 28.2%.

For the year ended 31 December 2021, the aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 80.0% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 49.4%.

None of the Directors, any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EQUITY-LINKED AGREEMENTS

The Company has (i) a pre-IPO share option scheme; (ii) a share option scheme; and (iii) a share award scheme, details of which are set out in the following sections headed "Share Option Schemes" and "Share Award Scheme" of this directors' report.

Save as disclosed above, no equity-linked agreements were entered into by the Group during the year ended 31 December 2021 or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES

Save as disclosed under the following sections headed "Share Option Schemes" and "Share Award Scheme", at no time during the year ended 31 December 2021 or at the end of the year was the Company or any of its subsidiaries a party to any arrangements which enabled the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2021 were:

Executive Directors

Mr. Lam Yee Chun, *Executive Chairman and Co-Chief Executive Officer*
(appointed as Co-Chief Executive Officer from 1 October 2021)
Mr. Au-Yeung Tai Hong Rorce, *Co-Chief Executive Officer*
(ceased to be a Director and a Co-Chief Executive Officer on 1 October 2021)
Mr. Lee Chong Man Jason, *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

Pursuant to Article 84 of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and retiring directors shall be eligible for re-election at that meeting. The Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment and as between persons who became or were last re-elected Directors on the same day shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Lam Yee Chun, Mr. Yeung Wai Fai Andrew and Mr. Suen Wai Yu shall retire by rotation at the 2022 AGM and, being eligible, have offered themselves for re-election.

Details of the Directors standing for re-election at the 2022 AGM are set out in the circular sent to the shareholders of the Company together with the Annual Report.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence based on to Rule 3.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and considers that each of the Independent Non-executive Directors is independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 18 to 21 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

On 17 December 2021, each of the Executive Directors entered into a director's service agreement with the Company for a term commencing from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

On 17 December 2021, each of the Non-executive Directors (including Independent Non-executive Directors) entered into a letter of appointment with the Company for a term commencing from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

None of the Directors proposed for re-election at the 2022 AGM have a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than the statutory compensation).

DIRECTORS' REMUNERATION

Remuneration of Directors is determined by the Board with reference to the prevailing directors' fees of comparable companies in Hong Kong, the duties and responsibilities of the Directors and the time commitment of the individual Directors.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance between the Company or its subsidiaries and a controlling shareholder of the Company or its subsidiaries subsisted at the end of the year ended 31 December 2021 or at any time during the year.

PERMITTED INDEMNITY PROVISION

As permitted by the Company's Articles of Association, the Directors and other officers shall be indemnified out of the Company's assets and profits against any liability incurred by such Directors or officers by reasons of act done or omitted in the execution of their duty, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to any of such Directors or officers. Such permitted indemnity provision has been in force throughout the year ended 31 December 2021 and is currently in force at the time of approval of this directors' report. The Company has arranged appropriate liability coverage for the Directors and officers of the Group.

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

As at 31 December 2021, 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 (Cap. 571, Laws of Hong Kong) (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

(i) Interests 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	1,883,446,000	—	1,883,446,000	69.71%
	Beneficial owner	2,605,000	—	2,605,000	0.10%
	Interest of spouse	908,000	—	908,000	0.03%
Lee Chong Man Jason ("**Mr. Lee**")	Beneficial owner	472,000	131,000	603,000	0.02%
Lo Siu Yuen	Beneficial owner	17,611,000	130,000	17,741,000	0.66%
Chan Mei Wan ("**Ms. Chan**") *(Note 4)*	Beneficial owner	908,000	—	908,000	0.03%
	Interest of spouse	1,886,051,000	—	1,886,051,000	69.81%

Notes:

1. All the above interests in the shares and underlying shares of the Company were long positions. None of the Directors and the chief executive of the Company held any short positions in the shares or underlying shares of the Company as at 31 December 2021.

2. Based on 2,701,693,013 shares of the Company in issue as at 31 December 2021.

3. Mr. Lam directly holds the entire issued share capital of Sunpower Global Limited which holds approximately 58.87% of the entire 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 1,883,446,000 shares of the Company held by Energy Garden Limited.

   Mr. Lam is the spouse of Ms. Chan. Under Divisions 2 and 3 of Part XV of the SFO, Mr. Lam is deemed to have interest in the same number of shares in the Company in which his spouse has interest.

4. 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.

5. All these interests held by such Directors were underlying shares in respect of share options granted to them on 1 November 2016 pursuant to the Pre-IPO Share Option Scheme, further details of which are set out under the section headed "Share Option Schemes" below.

(ii) Interests in associated corporations

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

Notes:

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

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

1. PRE-IPO SHARE OPTION SCHEME

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

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

As at 31 December 2021, the Company had outstanding options to subscribe for 1,414,000 shares of the Company under the Pre-IPO Share Option Scheme, representing approximately 0.05% of the issued share capital of the Company as at 31 December 2021.

Details of the movements in the share options, which were granted under the Pre-IPO Share Option Scheme, during the year ended 31 December 2021 are as follows:

			Number of underlying shares issuable under the outstanding options					
Grantee	Date of grant (dd.mm.yyyy)	Exercise price per share HK$	Outstanding as at 01.01.2021	Cancelled or forfeited during the year	Expired during the year	Exercised during the year	Outstanding as at 31.12.2021	Exercise period (dd.mm.yyyy)
Directors								
Au-Yeung Tai Hong Rorce	01.11.2016	2.016	132,000	–	(132,000)	–	–	24.11.2018–23.11.2021
(ceased to be a Director and a Co-Chief Executive Officer on 1 October 2021)	01.11.2016	2.016	131,000	–	–	–	131,000	24.11.2019–23.11.2022
Lee Chong Man Jason	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
Sub-total			654,000	–	(262,000)	–	392,000	
Consultants	01.11.2016	2.016	33,000	–	(33,000)	–	–	24.11.2018–23.11.2021
	01.11.2016	2.016	39,000	–	–	–	39,000	24.11.2019–23.11.2022
Employees	01.11.2016	2.016	718,000	(2,000)	(716,000)	–	–	24.11.2018–23.11.2021
	01.11.2016	2.016	1,018,000	(35,000)	–	–	983,000	24.11.2019–23.11.2022
Sub-total			1,808,000	(37,000)	(749,000)	–	1,022,000	
Grand-total			2,462,000	(37,000)	(1,011,000)	–	1,414,000	

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 aligning the corporate objectives and interests between the Group and its key talents.

Subject to refreshment of Share Option Scheme limit approved by the shareholders of the Company and the maximum number of shares issuable upon exercise of all outstanding options granted under the Share Option Scheme and other share option scheme representing no more than 30% of the issued share capital of the Company from time to time, total number of shares of the Company ("**Shares**") which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company shall not exceed 256,000,000 Shares, representing approximately 9.48% of the issued share capital of the Company as at the date of this directors' report. 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 a Share 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 the adoption date, 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 be valid and exercisable subject to and in accordance with the Share Option Scheme.

As at 31 December 2021, no option had been granted by the Board under the Share Option Scheme.

SHARE AWARD SCHEME

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

For the year ended 31 December 2021, the Board had granted 9,500,000 Awarded Shares, representing approximately 0.35% of the issued share capital of the Company as at 31 December 2021, to selected eligible persons under the Share Award Scheme.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted as at 31 December 2021 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, 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 ordinary shares held *(Note 1)*	Approximate percentage of the issued share capital *(Note 2)*
Energy Garden Limited ("**Energy Garden**")	Beneficial owner	1,883,446,000	69.71%
Konwell Developments Limited ("**Konwell**")	Interest of a controlled corporation	1,883,446,000 *(Note 3)*	69.71%
Sunpower Global Limited ("**Sunpower**")	Interest of a controlled corporation	1,883,446,000 *(Note 4)*	69.71%
CITIC Group Corporation ("**CITIC Group**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
CITIC Polaris Limited ("**CITIC Polaris**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
CITIC Glory Limited ("**CITIC Glory**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
CITIC Limited ("**CITIC**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
CITIC Pacific Limited ("**CITIC Pacific**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
Master Wise Holdings Corp. ("**Master Wise**")	Interest of a controlled corporation	204,800,000 *(Note 5)*	7.58%
Next Admiral Limited ("**Next Admiral**")	Beneficial owner	204,800,000 *(Note 5)*	7.58%

Notes:

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

2. Based on 2,701,693,013 Shares in issue as at 31 December 2021.

3. Konwell holds 100% of the total issued share capital of Energy Garden and therefore Konwell is deemed to have interest in the 1,883,446,000 shares held by Energy Garden.

4. Sunpower directly holds approximately 58.87% of the total issued share capital of Konwell and therefore Sunpower is deemed to have interest in the 1,883,446,000 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 1,883,446,000 shares held by Energy Garden. Mr. Lam is the sole director of Konwell and Sunpower. Both of Mr. Lam and Ms. Chan are the directors of Energy Garden.

5. CITIC Group holds 100% of CITIC Polaris and CITIC Glory, which in turn controls approximately 32.53% and approximately 25.60% of CITIC, respectively. CITIC holds 100% of CITIC Pacific, which in turn holds 100% of Master Wise. Master Wise holds 100% of the equity interest of Next Admiral.

Save as disclosed above, as at 31 December 2021, 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.

CONNECTED TRANSACTION

On 1 January 2021, a wholly-owned subsidiary of the Company as lessee entered into a tenancy agreement ("**Tenancy Agreement**") with Orient Profit Investment Limited ("**Orient Profit**") as lessor to rent a residential property in Hong Kong for a monthly rent of HK$130,000 with a fixed term for two years. Orient Profit is wholly-owned by Ms. Chan Mei Wan, who is a Director and therefore a connected person of the Company. The Tenancy Agreement constitutes a continuing connected transaction of the Company which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.76(1) of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of material transactions with related parties of the Group during the year ended 31 December 2021 are disclosed in note 41 to the Financial Statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for that described above in the paragraph headed "Connected Transaction" which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.76(1) of the Listing Rules.

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 were held by the public as at the date of this directors' report.

DEED OF NON-COMPETITION

On 24 October 2016, a deed of non-competition was 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 or as principal or agent, either on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of the Group),

- carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the Business (as defined below) (the "**Restricted Business**"), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise; and

- take any action which interferes with or disrupts or may interfere with or disrupt the Business of the Group including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of the Group.

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

(a) the design, integration and sale of gas-fired and diesel-fired gen-sets and power generation systems; and

(b) the design, investment in, building, leasing and operation of distributed power generation 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 Limited;

(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 deed of non-competition ("**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 deed of non-competition.

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 in accordance with the terms of the deed of non-competition.

The respective obligations of each of the Controlling Shareholders under the deed of non-competition shall terminate on the earliest of (i) the shares of the Company 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.

SUSTAINABILITY REPORT

The Company is preparing its Sustainability Report 2021 in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules. The full report, in Chinese and English versions, is expected to be published together with our Annual Report 2021 on the same day.

AUDITOR

Ernst & Young, the auditor of the Company, will retire at the conclusion of the 2022 AGM and, being eligible, has offered themselves for re-appointment. A resolution to re-appoint Ernst & Young as auditor of the Company and to authorize the Directors to fix its' remuneration will be proposed at the 2022 AGM.

By Order of the Board
Lam Yee Chun
Executive Chairman and Co-Chief Executive Officer

Hong Kong, 29 March 2022

RISK MANAGEMENT FRAMEWORK

An Enterprise Risk Management Framework is in place to assess, mitigate and monitor strategic, investment, financial, operational and key business risks effectively. The framework enables us to adopt a systematic approach for identifying and managing risks across the organisation, and evaluating risk severity and likelihood of occurrence.

STRUCTURE

Management is committed to fostering a risk aware and control conscious environment. Responsibility for risk management resides at all levels within the Group. The Board oversees the overall management of risks. Internal Audit Department assists the Audit Committee in reviewing and monitoring key risks. Operating units are responsible for the identification and management of risks in operations and a comprehensive approach is adopted for group-wide risks.

RISK MANAGEMENT PROCESS

The risk management process is embedded into our day-to-day activities and is an ongoing process that flows through the organisation.

When performing risk identification, we consider political, economic, social, technological and environmental factors, regulations and our stakeholders' expectations. The identified risks are grouped into different categories and each risk is analysed individually on the basis of probability and impact. Action plans are in place to manage the key risks. The risk assessment process also includes a review of the control mechanisms for each risk. The Group Risk Register is compiled, updated and monitored on an ongoing basis.

The Group Risk Register that highlights key risks and action plans is presented to the Audit Committee on a half-yearly basis. Significant changes in key risks are reported to the management.

Fundamental to the achievement of our business goals is how we can effectively manage existing and emerging risks in different political, economic and social environments. The Company manages risks arising from the ever-changing business environment. The risks shown below are not exhaustive or comprehensive, and there may be other risks which may not be material now but could become material in future.

Key risks in 2021 included:

RISK CATEGORY: STRATEGIC RISK

RISK	OUR RESPONSE AND MITIGATING MEASURES
Combating climate change is a global imperative. As the largest emissions driver, the energy sector is underdoing huge transition. An increasing number of countries are changing their fuel mix for electricity and introducing different forms of carbon pricing. Failure to adapt to this global trend may hinder the Group's long-term development.	The Group recognises the wide-ranging implications of climate change and the significance of energy transition. Joining global effort to combat climate change, the Group targets to achieve carbon neutrality by 2050. A roadmap will be developed to outline the Group's strategies to decarbonise our generation portfolio and long-term business plans to capture the opportunities arising from energy transition. Currently, we have a climate change policy in place to govern our climate actions with proper climate adaption and mitigation plans.

RISK CATEGORY: OPERATIONAL & HUMAN RESOURCES RISKS

RISK	OUR RESPONSE AND MITIGATING MEASURES
The prolonged COVID-19 pandemic has emerged into a global public health crisis which poses a serious threat to human lives and causes adverse disruptions to the supply chain, affecting the operations of businesses around the world.	The COVID-19 pandemic has brought multifaceted challenges to us. We remain vigilant to the development and have been assessing the impacts on our operation regularly. Based on our assessment, we have strengthened our supply chain management to ensure sufficient inventories for daily power station operation and maintenance. In order to protect the health and safety of our employees, we have accelerated our digitalisation by adopting digital solutions such as virtual meetings and e-banking, and implemented various precautionary measures.
The global political environment and economic conditions have been clouded by multiple geopolitical events in recent years. Having multinational operations, the Group is faced with different challenges during these uncertain times.	In today's increasingly interconnected world, it is unlikely for multinational enterprises to avoid global risks. Leveraging on our highly mobile power solutions, we have developed redeployment and demobilisation plans for our projects in different countries. We also pay extra attention on the political and social developments of emerging markets and review our local exposure regularly.
Any loss of key staff may potentially affect the operation of the Company.	Employees are the key assets to our business. The Group has succession plans of key positions in place and reviews the compensation policy from time to time. By enhancing our employee engagement as part our employee retention programme, we strive to address the concerns of our employees and reinforce their sense of belongings.

RISK CATEGORY: FINANCE, REGULATORY & COMPLIANCE RISKS

RISK	OUR RESPONSE AND MITIGATING MEASURES
The Group's revenue streams and cost components are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. As such, we are also exposed to translation risk primarily due to the receivables, payables and cash balances denominated in foreign currencies.	The Group has hedging, treasury and capital management policies in place to manage our foreign currency exposures. We also mitigate our foreign exchange risk through natural hedge and entering into forward currency contracts when appropriate.
The Group has a number of long-standing key customers. In case of any occurrence of payment disputes or delays, our financial position may be adversely affected.	The Group has strong business relationships with key customers and maintains close communication with them. We review the credit profile of key off-takers and customers regularly and assess trade receivables on an individual basis for impairment. We will continue to strengthen our billing and collection process.

RISK CATEGORY: BUSINESS & MARKET RISKS

RISK	OUR RESPONSE AND MITIGATING MEASURES
Volatility and fluctuations of gas and diesel supplies and prices may adversely affect the demand for gen-sets, power generation systems and DPG stations, which may affect our revenue.	The Group offers a wide variety of gen-sets and systems to cater the different needs of our customers and has not encountered any shift of demands so far. In order to address the increasing demand for clean technologies, we will continue to introduce more efficient systems to reduce the fuel consumption.
We face significant competition in gas-fired DPG industry and broader power generation industry. For SI business, our competitors include manufacturers of engines or gen-sets. For IBO business, our competitors include utilities or DPG stations generating power from fossil fuels and renewable energy. Failure to maintain our competitive edges may lead to a loss of market share to competitors.	Energy efficiency is one of our core competitive edges. To maintain our industry leadership, we continuously upgrade our power solutions and expand our product lines. For example, we are developing fuel flexible gas gen-sets to operate on a blend of hydrogen and natural gas.

The Internal Audit Department reports to the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the operations of the Group. Half-yearly review is performed by the Internal Audit Department and remediation status for risks identified is communicated to the management team and reported to the Audit Committee. A review of the effectiveness of the risk management and internal control systems has been conducted and the Company considers them effective and adequate.

EY安永

TO THE SHAREHOLDERS OF VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of VPower Group International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses of certain trade receivables	
As at 31 December 2021, the carrying amount of trade receivables of the investment, building and operating ("IBO") segment was HK$365.7 million and represented 3.5% of the Group's total assets. Assessment of expected credit losses ("ECLs") of trade receivables is performed by management based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The Group uses probability of default to calculate ECLs for trade receivables of the IBO segment. The provision rates of the receivables of the IBO segment are based on the probability of default of counterparties, which takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate. The assessment is significant to our audit due to (i) the significance of the carrying amount; and (ii) significant estimates involved in determining the future cash flows that the Group expects to receive from such receivables based on, among others, the correlation among probability of default, forecast economic conditions (i.e. gross domestic product) and ECLs. The Group's accounting policies and disclosures of accounting estimates on provision for ECLs on trade receivables of the IBO segment and information about the ECLs on trade receivables of the IBO segment are included in notes 2.4, 3 and 20 to the consolidated financial statements, respectively.	We assessed management's assessment by (i) sample checking the ageing of the receivable balances and past repayment history; (ii) benchmarking the forecast economic conditions (i.e. gross domestic product) against market data; (iii) evaluating the probability of default of counterparties with the assistance from our internal valuation specialists; and (iv) reviewing the arithmetic accuracy of the calculation of the ECLs.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of inventories	
The Group holds significant amount of inventories for its system integration ("SI") and IBO segments. As at 31 December 2021, the carrying amount of inventories was HK$1,263.0 million and represented 12.2% of the Group's total assets. Assessment of net realisable value of inventories is performed by management with reference to ageing analysis of the Group's inventories, projections of expected future saleability/usability of inventories and management experience and judgement. The impairment assessment is significant to our audit due to (i) the significance of the carrying amount; and (ii) significant judgements and estimates involved in determining the net realisable values with reference to, among others, expectation of future saleability/usability and estimated future cash flows from the sales/utilisation of inventories. The Group's accounting policies, disclosures of assessment of net realisable value of inventories and write-down/reversal of write-down of inventories to net realisable value are included in notes 2.4, 3 and 7 to the consolidated financial statements, respectively.	We assessed management's assessment of net realisable value of inventories by (i) test checking the ageing of the Group's inventories balances and past sales/utilisation history; (ii) comparing the estimated selling prices and estimated selling costs to the historical data; and (iii) reviewing subsequent sales/utilisation of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tsz Tat.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021 HK$'000**	2020 HK$'000
REVENUE	5	**5,094,079**	3,386,936
Cost of sales		**(4,281,566)**	(2,575,810)
Gross profit		**812,513**	811,126
Other income and gains, net	5	**12,019**	175,461
Selling and distribution expenses		**(29,023)**	(33,131)
Administrative expenses		**(408,643)**	(344,813)
Other expenses, net		**(79,196)**	(69,308)
Finance costs	6	**(210,393)**	(220,544)
Share of profits and losses of joint ventures		**9,400**	263,574
PROFIT BEFORE TAX	7	**106,677**	582,365
Income tax expense	10	**(49,938)**	(56,932)
PROFIT FOR THE YEAR		**56,739**	525,433
Attributable to:			
Owners of the Company		**45,689**	516,294
Non-controlling interests		**11,050**	9,139
		56,739	525,433
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
			(Restated)
Basic		**HK1.72 cents**	HK19.96 cents
Diluted		**HK1.72 cents**	HK19.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR	**56,739**	525,433
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of hedging instruments arising during the year	**(564)**	(15,633)
Reclassification adjustments included in the consolidated statement of profit or loss	**8,389**	6,631
	7,825	(9,002)
Exchange differences on translation of foreign operations	**(14,682)**	(68,073)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(6,857)**	(77,075)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,882**	448,358
Attributable to:		
Owners of the Company	**38,832**	439,219
Non-controlling interests	**11,050**	9,139
	49,882	448,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,295,925**	3,719,950
Investment property	14	**—**	23,700
Right-of-use assets	15(a)	**116,611**	61,602
Goodwill	16	**81,489**	81,489
Other intangible assets	17	**89,317**	92,362
Interests in joint ventures	18	**1,746,121**	1,754,748
Deposits and other receivables	21	**40,542**	44,410
Deferred tax assets	32	**2,434**	4,750
Total non-current assets		**5,372,439**	5,783,011
CURRENT ASSETS			
Inventories	19	**1,262,964**	1,179,771
Trade and bills receivables	20	**2,677,289**	618,641
Prepayments, deposits, other receivables and other assets	21	**458,416**	462,671
Tax recoverable		**6,027**	5,065
Restricted cash	24	**71,098**	66,594
Pledged deposits	25	**38,725**	37,126
Cash and cash equivalents	25	**462,359**	978,182
Total current assets		**4,976,878**	3,348,050
CURRENT LIABILITIES			
Trade and bills payables	26	**2,118,265**	802,006
Other payables and accruals	27	**377,251**	324,122
Contract liabilities	28	**115,082**	875,322
Derivative financial instruments	23	**1,999**	9,196
Senior notes	29	**24,299**	21,978
Interest-bearing bank and other borrowings	30	**1,831,703**	1,138,282
Lease liabilities	15(b)	**17,133**	7,657
Tax payable		**17,782**	10,820
Provision for restoration	31	**5,681**	6,123
Total current liabilities		**4,509,195**	3,195,506
NET CURRENT ASSETS		**467,683**	152,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,840,122**	5,935,555

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Trade payables	26	—	42,733
Other payables	27	148,863	281,123
Senior notes	29	721,223	745,523
Interest-bearing bank and other borrowings	30	1,274,791	1,283,141
Lease liabilities	15(b)	100,574	53,246
Provision for restoration	31	20,689	20,187
Deferred tax liabilities	32	41,535	28,114
Total non-current liabilities		2,307,675	2,454,067
Net assets		3,532,447	3,481,488
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	270,169	264,692
Reserves	36	3,205,296	3,170,864
		3,475,465	3,435,556
Non-controlling interests		56,982	45,932
Total equity		3,532,447	3,481,488

Lam Yee Chun
Director

Lee Chong Man Jason
Director

		Attributable to owners of the Company													
	Notes	Share capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 (note 36(a))	Capital reserve HK$'000 (note 36(b))	Share option reserve HK$'000 (note 36(c))	Shares held under the share award scheme HK$'000 (note 35)	Asset revaluation reserve HK$'000	Cash flow hedge reserve HK$'000	Statutory reserve funds HK$'000 (note 36(d))	Exchange fluctuation reserve HK$'000 (note 36(e))	Retained profits HK$'000	Total K$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		256,228	1,512,209	(15,458)	146,985	5,411	(58,122)	17,062	(194)	25,962	(22,610)	954,370	2,821,843	36,793	2,858,636
Profit for the year		–	–	–	–	–	–	–	–	–	–	516,294	516,294	9,139	525,433
Other comprehensive income/(loss) for the year:															
Cash flow hedges:															
Changes in fair value of hedging instruments arising during the year	23	–	–	–	–	–	–	–	(15,633)	–	–	–	(15,633)	–	(15,633)
Reclassification adjustments included in the consolidated statement of profit or loss	23	–	–	–	–	–	–	–	6,631	–	–	–	6,631	–	6,631
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(68,073)	–	(68,073)	–	(68,073)
Total comprehensive income for the year		–	–	–	–	–	–	–	(9,002)	–	(68,073)	516,294	439,219	9,139	448,358
Issue of subscription shares	33	8,300	285,047	–	–	–	–	–	–	–	–	–	293,347	–	293,347
Issue of shares upon exercise of share options	33	164	5,223	–	–	(2,098)	–	–	–	–	–	–	3,289	–	3,289
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(105)	–	–	–	–	–	105	–	–	–
Equity-settled share-based payment arrangement	35	–	–	–	–	–	23,618	–	–	–	–	(11,721)	11,897	–	11,897
Purchase of shares for the share award scheme	35	–	–	–	–	–	(38,064)	–	–	–	–	–	(38,064)	–	(38,064)
Transfer to statutory reserve funds		–	–	–	–	–	–	–	–	6,243	–	(6,243)	–	–	–
Final 2019 dividend	11	–	–	–	–	–	–	–	–	–	–	(56,218)	(56,218)	–	(56,218)
Interim 2020 dividend	11	–	–	–	–	–	–	–	–	–	–	(39,757)	(39,757)	–	(39,757)
At 31 December 2020 and at 1 January 2021		264,692	1,802,479	(15,458)	146,985	3,208	(72,568)	17,062	(9,196)	32,205	(90,683)	1,356,830	3,435,556	45,932	3,481,488
Profit for the year		–	–	–	–	–	–	–	–	–	–	45,689	45,689	11,050	56,739
Other comprehensive income/(loss) for the year:															
Cash flow hedges:															
Changes in fair value of hedging instruments arising during the year	23	–	–	–	–	–	–	–	(564)	–	–	–	(564)	–	(564)
Reclassification adjustments included in the consolidated statement of profit or loss	23	–	–	–	–	–	–	–	8,389	–	–	–	8,389	–	8,389
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(14,682)	–	(14,682)	–	(14,682)
Total comprehensive income for the year		–	–	–	–	–	–	–	7,825	–	(14,682)	45,689	38,832	11,050	49,882
Shares issued in lieu of cash dividend	33	5,477	89,593	–	–	–	–	–	–	–	–	–	95,070	–	95,070
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(1,336)	–	–	–	–	–	1,336	–	–	–
Equity-settled share-based payment arrangement	35	–	–	–	–	–	36,678	–	–	–	–	(19,578)	17,100	–	17,100
Transfer to statutory reserve funds		–	–	–	–	–	–	–	–	2,993	–	(2,993)	–	–	–
Final 2020 dividend	11	–	–	–	–	–	–	–	–	–	–	(90,979)	(90,979)	–	(90,979)
Interim 2021 dividend	11	–	–	–	–	–	–	–	–	–	–	(20,114)	(20,114)	–	(20,114)
At 31 December 2021		270,169	1,892,072*	(15,458)*	146,985*	1,872*	(35,890)*	17,062*	(1,371)*	35,198*	(105,365)*	1,270,191*	3,475,465	56,982	3,532,447

* These reserve accounts comprise the consolidated reserves of HK$3,205,296,000 (2020: HK$3,170,864,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**106,677**	582,365
Adjustments for:			
Share of profits and losses of joint ventures		**(9,400)**	(263,574)
Bank interest income	5	**(2,189)**	(3,975)
Gain on disposal on an investment property	5	**(2,780)**	—
Gain on disposal of assets held for sale	5	**—**	(13,627)
Finance costs	6	**210,393**	220,544
Depreciation of property, plant and equipment	7	**308,264**	309,943
Depreciation of right-of-use assets	7	**18,208**	16,123
Amortisation of intangible assets	7	**2,878**	2,879
Gain on early termination of a lease	7	**(3)**	(4)
Covid-19-related rent concessions from lessors	7	**—**	(23)
Fair value losses on derivative financial instruments	7	**658**	589
Fair value loss on an investment property	7	**—**	900
Impairment of trade receivables, net	7	**30,618**	4,867
Impairment of contract assets, net	7	**31**	33
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**(2,120)**	4,425
Write-down of inventories to net realisable value	7	**4,481**	10,939
Reversal of write-down of inventories to net realisable value	7	**(1,602)**	—
Equity-settled share-based payment expense	7	**17,100**	11,897
Increase in unrealised results on transactions between the Group and a joint venture		**9,508**	—
		690,722	884,301
Increase in inventories		**(101,362)**	(390,427)
Decrease/(increase) in trade and bills receivables		**(2,091,126)**	600,955
Decrease/(increase) in prepayments, deposits, other receivables and other assets		**136,862**	(40,204)
Increase in trade and bills payables		**1,268,816**	99,683
Increase/(decrease) in other payables and accruals		**49,223**	(41,377)
Increase/(decrease) in contract liabilities		**(762,241)**	749,658
Decrease in provision of restoration		**(328)**	(2,640)
Cash generated from/(used in) operations		**(809,434)**	1,859,949
Interest element of lease payments	38(b)	**(3,978)**	(2,632)
Hong Kong profits tax refunded/(paid)		**(5,962)**	13,231
Overseas taxes paid		**(22,307)**	(42,727)
Net cash flows from/(used in) operating activities		**(841,681)**	1,827,821

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,189**	3,975
Purchases of items of property, plant and equipment		**(314,983)**	(301,396)
Additions to right-of-use assets		**—**	(152)
Deposits paid for purchases of property, plant and equipment		**(941)**	(4,651)
Proceeds from disposal of items of property, plant and equipment		**89,694**	8,480
Proceeds from disposal of assets held for sale		**—**	282,307
Proceeds from disposal of an investment property		**26,480**	—
Repayment of loans from a joint venture		**—**	42,742
Repayment of loans from business partners		**—**	6,077
Decrease/(increase) in restricted cash		**(4,504)**	15,041
Decrease/(increase) in pledged deposits		**(364)**	27,372
Investments in joint ventures		**(22,077)**	(702,413)
Distributions from joint ventures		**30,595**	64,286
Net cash flows used in investing activities		**(193,911)**	(558,332)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	33	**—**	296,636
Purchases of shares for the share award scheme	35	**—**	(38,064)
New bank borrowings, net of debt establishment costs	38(b)	**4,592,084**	2,549,388
Repayment of bank borrowings	38(b)	**(3,861,564)**	(3,358,066)
Repayment of other borrowings	38(b)	**(86,600)**	(29,250)
Repayment of senior notes	38(b)	**(25,111)**	(17,724)
New loan from a business partner	38(b)	**78,000**	—
Repayment of loans to business partners	38(b)	**(16,128)**	(208,633)
Principal portion of lease payments	38(b)	**(15,162)**	(15,952)
Dividends paid		**(16,023)**	(95,975)
Interest paid		**(141,352)**	(161,965)
Net cash flows from/(used in) financing activities		**508,144**	(1,079,605)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(527,448)**	189,884
Cash and cash equivalents at beginning of year		**978,182**	768,202
Effect of foreign exchange rate changes, net		**2,196**	20,096
CASH AND CASH EQUIVALENTS AT END OF YEAR		**452,930**	978,182
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**462,359**	978,182
Bank overdrafts	30	**(9,429)**	—
		452,930	978,182

1. CORPORATE AND GROUP INFORMATION

VPower Group International Holdings Limited (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 year, the Company and its subsidiaries (collectively referred to as the "Group") were 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 of, investment in, building and operation of distributed power generation stations.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
Crest Pacific Investments Limited ("Crest Pacific")	British Virgin Islands/Hong Kong	US$1,076	100	100	Investment holding
VPower Engineering (China) Limited	Hong Kong	HK$10,000,000	100	100	Investment holding and trading of engines and components
VPower Technology Limited	Hong Kong	HK$400,000	100	100	Trading of engines and components, and sale and installation of power generation systems
VPower Holdings Limited	Hong Kong	HK$1,000,000	100	100	Investment holding, trading of engines and components, and sale and installation of power generation systems
偉能機電設備(深圳)有限公司*	People's Republic of China ("PRC")/ Mainland China	HK$70,000,000	100	100	Manufacture of power generation systems

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
VPower Group Holdings Limited	Hong Kong	HK$10,000	**100**	100	Investment holding and provision of distributed power solutions
VPower Myanmar Limited	Hong Kong	HK$1	**100**	100	Provision of distributed power solutions
Genrent del Peru S.A.C. (“Genrent Peru”)	Peru	Peruvian Soles (“S/”) 57,318,175	**51**	51	Provision of distributed power solutions
VPTM Iquitos S.A.C. (“VPTM Iquitos”)	Peru	S/1,000	**51**	51	Provision of operation and maintenance services
偉能新能源科技(臨沂)有限公司*	PRC/Mainland China	US$5,000,000	**100**	100	Provision of distributed power solutions
V Power Lanka (Private) Limited	Sri Lanka	Sri Lankan Rupee 20,000	**100**	100	Provision of distributed power solutions
VP Flexgen (Brazil) Spe Ltda.	Brazil	Brazilian Real (“BRL”) 80,791,089	**100**	100	Provision of distributed power solutions

* These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

Except for Crest Pacific, the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had interest rate swaps whereby the Group pays interest at a fixed rate ranging from 1.04% to 1.57% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swaps, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swaps are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 44 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment property and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and an investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	Over the shorter of the lease terms and 2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Mobilisation and installation	Over the service periods of the power generation agreements
Machinery and equipment	$3^{1}/_{3}\%$ to $33^{1}/_{3}\%$
Furniture, fixtures and office equipment	10% to $33^{1}/_{3}\%$
Motor vehicles	$12^{1}/_{2}\%$ to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents power generation assets under mobilisation and installation at power generation sites, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs incurred and capitalised borrowing costs on related borrowed funds during the period of mobilisation and installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Concession right

Concession right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful economic life of 19.5 years.

Grid and related development rights

Grid and related development rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their respective useful economic lives, commencing from the date when the respective power station is put into operation.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 40 years
Leased properties	1 to 20 years
Machinery	3 years
Office equipment	3 to 5 years
Motor vehicles	3 years

(b) 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 lease. 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business model are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets of the system integration ("SI") segment that is based on its historical credit loss experience and assessed probability of default for trade receivables of the investment, building and operating ("IBO") segment, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss. All forward currency contracts entered into by the Group do not qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shares held under the share award scheme

Where shares of the Company are purchased from the open market for the share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held under the share award scheme” and deducted from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of engine-based electricity generation units

Revenue from the sale of engine-based electricity generation units is recognised at the point in time when control of the asset is transferred to the customer, generally upon completion of installation of the engine-based electricity generation units.

(b) Construction services

The Group provides certain construction services that are bundled together with the sale of engine-based electricity generation units to a customer. The construction services can be obtained from other providers and do not significantly customise or modify the engine-based electricity generation units.

Contracts for bundled sales of engine-based electricity generation units and construction services are comprised of two performance obligations because the promises to transfer the engine-based electricity generation units and provide such construction services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the engine-based electricity generation units and such construction services.

Revenue from such construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue on the basis of the costs incurred relative to the total expected costs to complete the service.

(c) Distributed power solutions

The Group derives revenue from contracts that provide customers with distributed power solutions, including the development, system integration, technical servicing, operation and maintenance of self-owned power generation assets.

The Group earns revenue on contracts by providing capacity based on a specified number of megawatts (MWs) to the customer. The revenue is calculated based on the actual amount of energy that the Group delivers to the customer, as measured in kilowatt hours (kWhs). As the Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the revenue of the contract is recognised over time in the amount to which the Group has a right to invoice, using the practical expedient in HKFRS 15.

(d) Technical services

Revenue from the provision of technical services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Consultancy income

Revenue from consultancy services is recognised over time as consultancy services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates share option schemes and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

The cost of equity-settled transactions with employees and others providing similar services is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions with parties other than employees is measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value is measured indirectly by reference to the fair value of the equity instruments granted.

The fair value of the share options granted is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China and overseas are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Identifying performance obligations in a bundled sale of engine-based electricity generation units together with installation and certain construction services

The Group provides installation services that are bundled together with the sale of engine-based electricity generation units to a customer. The engine-based electricity generation units and such installation services are highly interrelated because the Group would not be able to fulfil its promise by transferring each of the engine-based electricity generation units or installation services independently. Accordingly, they are considered a single performance obligation.

The Group also provides certain construction services that are bundled together with the sale of engine-based electricity generation units to a customer. The construction services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both engine-based electricity generation units and such construction services are each capable of being distinct. The fact that the Group regularly sells engine-based electricity generation units on a stand-alone basis indicates that the customer can benefit from the electricity generation units on their own. The Group also determined that the promises to transfer the engine-based electricity generation units and to provide such construction services are distinct within the context of the contract. The engine-based electricity generation units and such construction services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the engine-based electricity generation units and such construction services together in the contract does not result in any additional or combined functionality and neither the electricity generation units nor the construction modifies or customises the other. In addition, the engine-based electricity generation units and such construction services are not highly interdependent or highly interrelated, because the Group would be able to transfer the engine-based electricity generation units even if the customer declined construction and would be able to provide construction services in relation to electricity generation units sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the engine-based electricity generation units and the construction services based on the relative stand-alone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Revenue from contracts with customers (Continued)

(ii) Determining the timing of satisfaction of certain construction services

As the construction is performed at the customer's site and the customer controls any work in progress arising from the Group's performance, the Group concluded that revenue from such construction services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the construction services because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the costs incurred relative to the total expected costs to complete the services.

Classification between property, plant and equipment and inventories

The Group acquired engine-based electricity generation units for the provision of distributed power solutions under the power generation agreements with its customers in the IBO segment. The purchase prices of these electricity generation units are included in property, plant and equipment. Upon expiry of the terms of the power generation agreements, the Group either (i) negotiates with its customers for renewal of the power generation agreements; or (ii) redeploys the electricity generation units to other power stations for the provision of distributed power solutions. When such power generation agreements are not renewed or such electricity generation units are not redeployed to other projects after a certain period of time as determined by the Group's internal policy, the Group will arrange the electricity generation units to release from the IBO segment and then sell them in the course of the Group's ordinary activities. Management considered that it is appropriate to transfer such electricity generation units from property, plant and equipment to inventories when they cease to be held for the provision of distributed power solutions and become held for sale in the course of the Group's ordinary activities. Judgement is made on an individual asset basis to determine whether the electricity generation units qualify as held for sale in the course of the Group's ordinary activities.

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK$81,489,000 (2020: HK$81,489,000). Further details are given in note 16.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets of the SI segment. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates.

The Group also performs impairment analysis on trade receivables of the IBO segment at each reporting date by considering the probability of default of counterparties. The Group takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate.

The Group will calibrate the provision matrix, probability of default and loss given default with forward-looking information to adjust the credit loss rates. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the power and utilities sector, the historical default rates, probability of default and loss given default are adjusted. At each reporting date, the historical observed default rates, probability of default and loss given default are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, probability of default, loss given default, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 20 and 21 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability/usability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability/usability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2021, the carrying amount of inventories was HK$1,262,964,000 (2020: HK$1,179,771,000).

4. 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 SI segment designs, integrates, sells and installs engine-based electricity generation units; and

(b) the IBO segment designs, invests in, builds and operates distributed power generation stations to provide distributed power solutions.

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue *(note 5)*			
Sales to external customers	3,665,925	1,428,154	5,094,079
Intersegment sales	1,175,730	—	1,175,730
	4,841,655	1,428,154	6,269,809
Reconciliation:			
Elimination of intersegment sales			(1,175,730)
Revenue			5,094,079
Segment results	328,312	87,214	415,526
Reconciliation:			
Elimination of intersegment results			(8,719)
Bank interest income			2,189
Corporate and unallocated expenses, net			(95,904)
Finance costs (other than interest on lease liabilities)			(206,415)
Profit before tax			106,677
Segment assets	3,664,694	5,221,009	8,885,703
Reconciliation:			
Corporate and unallocated assets			1,463,614
Total assets			10,349,317
Segment liabilities	2,307,248	585,102	2,892,350
Reconciliation:			
Corporate and unallocated liabilities			3,924,520
Total liabilities			6,816,870
Other segment information:			
Share of profits and losses of joint ventures	—	6,435	6,435
Impairment of trade receivables, net	838	29,780	30,618
Impairment of contract assets, net	31	—	31
Gain/(loss) on disposal of items of property, plant and equipment, net	(474)	2,594	2,120
Gain on disposal of an investment property	2,780	—	2,780
Write-down of inventories to net realisable value	4,481	—	4,481
Reversal of write-down of inventories to net realisable value	1,602	—	1,602
Depreciation of property, plant and equipment*	4,424	302,765	307,189
Depreciation of right-of-use assets	13,202	5,006	18,208
Amortisation of intangible assets	—	2,878	2,878
Interests in a joint venture	—	913,096	913,096
Capital expenditure	1,194	106,126	107,320

* Depreciation of property, plant and equipment excludes depreciation charges of HK$1,075,000 for corporate assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue *(note 5)*			
Sales to external customers	2,169,865	1,217,071	3,386,936
Intersegment sales	185,117	—	185,117
	2,354,982	1,217,071	3,572,053
Reconciliation:			
Elimination of intersegment sales			(185,117)
Revenue			3,386,936
Segment results	295,701	577,701	873,402
Reconciliation:			
Elimination of intersegment results			(15,106)
Bank interest income			3,975
Corporate and unallocated expenses, net			(59,362)
Finance costs			(220,544)
Profit before tax			582,365
Segment assets	1,414,846	5,735,199	7,150,045
Reconciliation:			
Corporate and unallocated assets			1,981,016
Total assets			9,131,061
Segment liabilities	1,647,304	752,548	2,399,852
Reconciliation:			
Corporate and unallocated liabilities			3,249,721
Total liabilities			5,649,573
Other segment information:			
Share of profits and losses of joint ventures	—	223,038	223,038
Impairment/(reversal of impairment) of trade receivables, net	(168)	5,035	4,867
Impairment of contract assets, net	33	—	33
Loss on disposal of items of property, plant and equipment, net	20	4,405	4,425
Gain on disposal of assets held for sale	—	13,627	13,627
Write-down of inventories to net realisable value	10,939	—	10,939
Depreciation of property, plant and equipment*	7,147	301,300	308,447
Depreciation of right-of-use assets	12,872	3,251	16,123
Amortisation of intangible assets	—	2,879	2,879
Interests in joint ventures	—	916,169	916,169
Capital expenditure	1,134	270,905	272,039

* Depreciation of property, plant and equipment excludes depreciation charges of HK$1,496,000 for corporate assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Hong Kong, Macau and Mainland China	**1,510,317**	996,044
Other Asian countries	**2,518,218**	1,585,191
Latin America	**909,048**	606,710
Other countries	**156,496**	198,991
	5,094,079	3,386,936

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong and Mainland China	**1,890,242**	1,881,427
Other Asian countries	**2,064,388**	2,463,802
Latin America	**1,149,010**	1,226,817
Other countries	**264,243**	205,460
	5,367,883	5,777,506

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

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A^	**1,434,703**	813,887
Customer B^	**1,171,289**	N/A*
Customer C^	**513,976**	N/A*
Customer D^	**N/A***	631,886
Customer E#	**N/A***	456,656
Customer F#	**N/A***	452,319
	3,119,968	2,354,748

* Less than 10% of revenue

^ Reported in the SI segment

\# Reported in the IBO segment

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers	5,094,079	3,386,936

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	SI HK$'000	IBO HK$'000	Total HK$'000
Types of goods or services			
Sale of engine-based electricity generation units	2,400,662	—	2,400,662
Construction services	1,205,521	—	1,205,521
Provision of technical services	59,742	—	59,742
Provision of distributed power solutions	—	1,428,154	1,428,154
Total revenue from contracts with customers	3,665,925	1,428,154	5,094,079
Geographical markets			
Hong Kong, Macau and Mainland China	1,481,445	28,872	1,510,317
Other Asian countries	2,049,370	468,848	2,518,218
Latin America	—	909,048	909,048
Other countries	135,110	21,386	156,496
Total revenue from contracts with customers	3,665,925	1,428,154	5,094,079
Timing of revenue recognition			
Goods transferred at a point in time	2,400,662	—	2,400,662
Services transferred over time	1,265,263	1,428,154	2,693,417
Total revenue from contracts with customers	3,665,925	1,428,154	5,094,079

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2020

Segments	SI HK$'000	IBO HK$'000	Total HK$'000
Types of goods or services			
Sale of engine-based electricity generation units	2,147,426	—	2,147,426
Construction services	3,627	—	3,627
Provision of technical services	18,812	—	18,812
Provision of distributed power solutions	—	1,217,071	1,217,071
Total revenue from contracts with customers	2,169,865	1,217,071	3,386,936
Geographical markets			
Hong Kong, Macau and Mainland China	969,473	26,571	996,044
Other Asian countries	1,001,401	583,790	1,585,191
Latin America	—	606,710	606,710
Other countries	198,991	—	198,991
Total revenue from contracts with customers	2,169,865	1,217,071	3,386,936
Timing of revenue recognition			
Goods transferred at a point in time	2,147,426	—	2,147,426
Services transferred over time	22,439	1,217,071	1,239,510
Total revenue from contracts with customers	2,169,865	1,217,071	3,386,936

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	2021	2020
	HK$'000	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of engine-based electricity generation units	**65,746**	82,833
Construction services	**753,452**	—
Provision of technical services	**19,500**	—
	838,698	82,833

(ii) Performance obligations

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

Sale of engine-based electricity generation units

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

Construction services

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

Provision of distributed power solutions

The performance obligation is satisfied over time when the energy is produced and delivered to the customer in accordance with the contractual arrangement and payment is due within 30 to 300 days after the issuance of invoice.

The Group elected to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an original expected duration of one year or less as well as contracts for distributed power solutions for which the Group issues invoices for the actual amount of energy delivered each month and recognises revenue in the amount to which the Group has the right to invoice.

Provision of technical services

The performance obligation is satisfied over time as services are rendered. Technical service contracts are for periods of one year or less, and are billed based on the costs incurred.

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

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

	2021 HK$'000	2020 HK$'000
Bank interest income	2,189	3,975
Consultancy income	—	153,640
Government grants*	1,678	2,074
Gain on disposal of items of property, plant and equipment, net	2,120	—
Gain on disposal of an investment property	2,780	—
Gain on disposal of assets held for sale	—	13,627
Others	3,252	2,145
	12,019	175,461

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on senior notes	46,356	47,844
Interest and other finance costs on letters of credit, bank loans and overdrafts	93,980	103,997
Interest on other borrowings	8,870	15,984
Net realised losses on cash flow hedges	8,389	6,631
	157,595	174,456
Amortisation of debt establishment costs	36,862	28,491
Notional interest on other payables	11,958	14,965
Notional interest on lease liabilities	3,978	2,632
	210,393	220,544

7. PROFIT BEFORE TAX

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

	Notes	**2021 HK$'000**	2020 HK$'000
Cost of inventories sold		**2,024,937**	1,720,846
Cost of services provided		**2,249,953**	840,737
Auditor's remuneration		**7,593**	7,172
Depreciation of property, plant and equipment*	13	**308,264**	309,943
Depreciation of right-of-use assets	15(a)	**18,208**	16,123
Amortisation of intangible assets	17	**2,878**	2,879
Lease payments not included in the measurement of lease liabilities	15(c)	**7,519**	5,299
Gain on early termination of a lease	15(c)	**(3)**	(4)
Covid-19-related rent concessions from lessors	15(c)	**—**	(23)
Employee benefit expense (including directors' and chief executives' remuneration *(note 8)*):			
Wages, salaries, bonuses, allowances and benefits in kind		**194,376**	182,309
Equity-settled share-based payment expense	35	**17,100**	11,897
Pension scheme contributions (defined contribution schemes)[@]		**8,018**	4,196
Less: Government subsidies[^]		**—**	(4,391)
		219,494	194,011
Fair value losses on derivative financial instruments[#]		**658**	589
Fair value loss on an investment property[#]	14	**—**	900
Foreign exchange differences, net[#]		**35,065**	28,115
Impairment of trade receivables, net[#]	20	**30,618**	4,867
Impairment of contract assets, net[#]	21	**31**	33
Loss/(gain) on disposal of items of property, plant and equipment, net		**(2,120)**	4,425
Write-down of inventories to net realisable value[#]		**4,481**	10,939
Reversal of write-down of inventories to net realisable value*		**(1,602)**	—

* The cost of sales for the year included depreciation charges of HK$216,782,000 (2020: HK$252,823,000) and reversal of write-down of inventories to net realisable value of HK$1,602,000 (2020: Nil).

^ The subsidies were granted under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region and were deducted in "Administrative expenses" in the consolidated statement of profit or loss. There are no unfulfilled conditions or contingencies relating to the subsidies.

\# Included in "Other expenses, net" in the consolidated statement of profit or loss.

@ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	**1,674**	1,728
Other emoluments:		
Salaries, allowances and benefits in kind		
— Cash-settled	**13,997**	15,379
Discretionary or performance based bonuses		
— Cash-settled	**—**	2,580
— Equity-settled share-based payment expense	**3,960**	2,370
Pension scheme contributions	**81**	90
	18,038	20,419
	19,712	22,147

During the year, four directors (2020: a director) were awarded shares, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss, was determined as at the date of award and the amount included in the financial statements for the current year is included in the above directors' and chief executives' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 HK$'000	2020 HK$'000
Mr. David Tsoi	**216**	216
Mr. Yeung Wai Fai Andrew	**216**	216
Mr. Suen Wai Yu	**216**	216
	648	648

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary or performance based bonuses: Cash-settled	Discretionary or performance based bonuses: Equity-settled share-based payment expense	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021						
Executive directors:						
Mr. Lam Yee Chun	**216**	**3,813**	**–**	**1,800**	**18**	**5,847**
Mr. Au-Yeung Tai Hong Rorce*	**162**	**2,851**	**–**	**–**	**9**	**3,022**
Mr. Lee Chong Man Jason	**216**	**2,523**	**–**	**360**	**18**	**3,117**
Mr. Lo Siu Yuen	**216**	**2,730**	**–**	**900**	**18**	**3,864**
Non-executive directors:						
Ms. Chan Mei Wan	**216**	**2,080**	**–**	**900**	**18**	**3,214**
Mr. Kwok Man Leung	**–**	**–**	**–**	**–**	**–**	**–**
	1,026	**13,997**	**–**	**3,960**	**81**	**19,064**
2020						
Executive directors:						
Mr. Lam Yee Chun	216	2,642	600	–	18	3,476
Mr. Au-Yeung Tai Hong Rorce	216	5,704	600	–	18	6,538
Mr. Lee Chong Man Jason	216	2,511	600	–	18	3,345
Mr. Lo Siu Yuen	216	2,610	180	2,370	18	5,394
Non-executive directors:						
Ms. Chan Mei Wan	216	1,912	600	–	18	2,746
Mr. Kwok Man Leung	–	–	–	–	–	–
	1,080	15,379	2,580	2,370	90	21,499

* Mr. Au-Yeung Tai Hong Rorce retired and ceased to be an executive director of the Company from 1 October 2021.

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2020: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind		
— Cash-settled	**5,554**	5,980
— Equity-settled share-based payment expense	**800**	200
Discretionary or performance based bonuses		
— Cash-settled	**—**	200
— Equity-settled share-based payment expense	**1,000**	2,881
Pension scheme contributions (defined contribution scheme)	**36**	36
	7,390	9,297

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$3,500,001 to HK$4,000,000	**2**	1
HK$5,000,001 to HK$5,500,000	**—**	1
	2	2

In prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, shares were awarded to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss, was determined as at the date of award and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2021 **HK$'000**	2020 HK$'000
Current — Hong Kong		
Charge for the year	**16,838**	7,510
Overprovision in prior years	**(1,288)**	(4,124)
Current — Elsewhere		
Charge for the year	**17,614**	36,295
Underprovision/(overprovision) in prior years	**1,121**	(3,018)
Deferred	**15,653**	20,269
Total tax charge for the year	**49,938**	56,932

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax charge at the Group's effective tax rate is as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**106,677**	582,365
Tax at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%)	**17,602**	96,090
Different tax rates enacted by specific countries/jurisdictions	**8,965**	1,312
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiary	**1,772**	860
Withholding taxes	**10,519**	22,144
Adjustments in respect of current tax of previous periods	**(167)**	(7,142)
Profits and losses attributable to joint ventures	**(1,551)**	(43,490)
Income derived from the IBO segment which was claimed offshore and not subject to tax in Hong Kong	**(82,646)**	(86,057)
Income not subject to tax	**(13,146)**	(32,245)
Expenses not deductible for tax	**102,387**	108,810
Tax losses utilised from previous periods	**(2,942)**	(4,148)
Tax losses not recognised	**—**	3,917
Others	**9,145**	(3,119)
Tax charge at the Group's effective tax rate	**49,938**	56,932

11. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2020		
— HK3.45 cents (with a scrip dividend alternative)		
(2019: HK2.20 cents) per ordinary share	**91,319**	56,391
Less: Dividend for shares held under the share award scheme	**(340)**	(173)
	90,979	56,218
Interim dividend for the six months ended 30 June 2021		
— HK0.75 cent (with a scrip dividend alternative)		
(2020: HK1.51 cents) per ordinary share	**20,185**	39,967
Less: Dividend for shares held under the share award scheme	**(71)**	(210)
	20,114	39,757
	111,093	95,975
Final dividend proposed after the end of the reporting period:		
Proposed final dividend for the year ended 31 December 2021		
— Nil (2020: HK3.45 cents per ordinary share)	**–**	91,319

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$45,689,000 (2020: HK$516,294,000), and the weighted average number of ordinary shares of 2,655,191,000 (2020: 2,586,091,000 (restated)) in issue during the year, as adjusted to exclude the shares held under the share award scheme.

The weighted average number of ordinary shares used in the calculation for the years ended 31 December 2021 and 2020 have been adjusted to reflect the bonus element in respect of the scrip dividends distributed during the year ended 31 December 2021.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

The calculation of the diluted earnings per share amount for the year ended 31 December 2020 is based on the profit for that year attributable to ordinary equity holders of the Company of HK$516,294,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,586,091,000 (restated) in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,058,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Mobilisation and installation HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021								
At 31 December 2020 and at 1 January 2021:								
Cost	143,077	10,957	205,663	4,253,825	24,421	21,478	142,882	4,802,303
Accumulated depreciation	(13,609)	(7,847)	(165,180)	(864,282)	(16,772)	(14,663)	–	(1,082,353)
Net carrying amount	129,468	3,110	40,483	3,389,543	7,649	6,815	142,882	3,719,950
At 1 January 2021, net of accumulated depreciation	129,468	3,110	40,483	3,389,543	7,649	6,815	142,882	3,719,950
Additions	1,864	89	22,563	58,031	844	742	23,187	107,320
Transfer from inventories	–	–	–	18,903	–	–	–	18,903
Depreciation provided during the year	(17,367)	(1,206)	(31,644)	(252,986)	(2,166)	(2,895)	–	(308,264)
Disposals	–	–	–	(220,404)	(14)	(887)	–	(221,305)
Transfers	43,023	–	–	32,263	8	–	(75,294)	–
Exchange realignment	(6,311)	(18)	187	(12,912)	23	18	(1,666)	(20,679)
At 31 December 2021, net of accumulated depreciation	150,677	1,975	31,589	3,012,438	6,344	3,793	89,109	3,295,925
At 31 December 2021:								
Cost	180,225	11,034	228,446	4,033,360	25,061	19,926	89,109	4,587,161
Accumulated depreciation	(29,548)	(9,059)	(196,857)	(1,020,922)	(18,717)	(16,133)	–	(1,291,236)
Net carrying amount	150,677	1,975	31,589	3,012,438	6,344	3,793	89,109	3,295,925

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Mobilisation and installation HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020								
At 1 January 2020:								
Cost	78,306	9,790	185,448	4,078,257	21,720	22,153	142,187	4,537,861
Accumulated depreciation	(2,419)	(4,473)	(118,913)	(625,322)	(13,682)	(12,031)	–	(776,840)
Net carrying amount	75,887	5,317	66,535	3,452,935	8,038	10,122	142,187	3,761,021
At 1 January 2020, net of accumulated depreciation	75,887	5,317	66,535	3,452,935	8,038	10,122	142,187	3,761,021
Additions	4,088	1,184	19,801	151,233	1,419	599	93,715	272,039
Transfer from inventories	–	–	–	88,894	–	–	–	88,894
Depreciation provided during the year	(11,386)	(3,351)	(46,205)	(242,218)	(3,229)	(3,554)	–	(309,943)
Disposals	–	–	–	(11,033)	(1,486)	(386)	–	(12,905)
Transfers	65,412	–	62	5,560	2,933	–	(73,967)	–
Exchange realignment	(4,533)	(40)	290	(55,828)	(26)	34	(19,053)	(79,156)
At 31 December 2020, net of accumulated depreciation	129,468	3,110	40,483	3,389,543	7,649	6,815	142,882	3,719,950
At 31 December 2020:								
Cost	143,077	10,957	205,663	4,253,825	24,421	21,478	142,882	4,802,303
Accumulated depreciation	(13,609)	(7,847)	(165,180)	(864,282)	(16,772)	(14,663)	–	(1,082,353)
Net carrying amount	129,468	3,110	40,483	3,389,543	7,649	6,815	142,882	3,719,950

As at 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of HK$763,286,000 (2020: HK$824,081,000) were pledged to secure senior notes (note 29) and banking facilities and other borrowings granted to the Group (note 30).

14. INVESTMENT PROPERTY

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	**23,700**	24,600
Net loss from a fair value adjustment	**—**	(900)
Disposal	**(23,700)**	—
Carrying amount at 31 December	**—**	23,700

The Group's investment property is a commercial property in Hong Kong. The Group's investment property was revalued on 31 December 2020 based on a valuation performed by Vigers Appraisal and Consulting (International) Limited, an independent firm of professionally qualified valuers, at HK$23,700,000. Each year, the Company's management decides to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for a commercial property	**—**	**—**	**23,700**	**23,700**

In the prior year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTY (CONTINUED)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property HK$'000
Carrying amount at 1 January 2020	24,600
Net loss from a fair value adjustment	(900)
Carrying amount at 31 December 2020	23,700
Disposal	(23,700)
Carrying amount at 31 December 2021	—

Below is a summary of the valuation technique used and the key input to the valuation of the investment property:

	Valuation technique	Significant unobservable input	Range 2020
Commercial property	Direct comparison method	Estimated price per sq.ft.	HK$13,249 to HK$16,822

A significant increase (decrease) in the estimated price per square foot in isolation would result in a significant increase (decrease) in the fair value of the investment property. The investment property was valued by the direct comparison method having regard to comparable sales transactions as available in the relevant market. The valuation takes into account the characteristics of the property which included the location, size, floor level, year of completion and other factors collectively.

15. LEASES

The Group as a lessee

The Group has lease contracts for its warehouses, factory premises, machinery, office premises, staff quarters, motor vehicles and office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 40 years, and no ongoing payments will be made under the terms of these land leases. The remaining leases are negotiated for terms ranging from 1 to 20 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Leased properties HK$'000	Machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020	—	17,598	—	71	621	18,290
Additions	43,733	11,852	—	—	1,474	57,059
Depreciation charge during the year	(1,501)	(14,347)	—	(31)	(244)	(16,123)
Early termination of a lease	—	(93)	—	—	—	(93)
Exchange realignment	2,714	(245)	—	1	(1)	2,469
At 31 December 2020 and at 1 January 2021	44,946	14,765	—	41	1,850	61,602
Additions	**47,583**	**25,756**	**644**	**—**	**—**	**73,983**
Depreciation charge during the year	**(2,745)**	**(14,688)**	**(233)**	**(22)**	**(520)**	**(18,208)**
Early termination of a lease	**—**	**(248)**	**—**	**—**	**—**	**(248)**
Lease modification	**—**	**202**	**—**	**—**	**—**	**202**
Exchange realignment	**(747)**	**33**	**—**	**—**	**(6)**	**(720)**
As at 31 December 2021	**89,037**	**25,820**	**411**	**19**	**1,324**	**116,611**

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**60,903**	17,582
New leases	**72,769**	56,907
Accretion of interest recognised during the year	**3,978**	2,632
Payments during the year	**(19,140)**	(18,584)
Early termination of a lease	**(251)**	(97)
Lease modification	**202**	—
Covid-19-related rent concessions from lessors	**—**	(23)
Exchange realignment	**(754)**	2,486
At 31 December	**117,707**	60,903
Analysed into:		
Current portion	**17,133**	7,657
Non-current portion	**100,574**	53,246

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Notional interest on lease liabilities	**3,978**	2,632
Depreciation charge of right-of-use assets	**18,208**	16,123
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**7,519**	5,299
Gain on early termination of a lease	**(3)**	(4)
Covid-19-related rent concessions from lessors	**—**	(23)
Total amount recognised in profit or loss	**29,702**	24,027

(d) The total cash outflow for leases is disclosed in note 38(c) to the financial statements.

16. GOODWILL

	2021 **HK$'000**	2020 HK$'000
Cost and carrying amount at 1 January and at 31 December	**81,489**	81,489

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to Genrent Peru and VPTM Iquitos (collectively, the "Genrent Peru Group") cash-generating unit for impairment testing:

The recoverable amount of the Genrent Peru Group cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 16.5-year period (2020: 17.5-year period) approved by senior management. The forecast period represented the remaining service period of the power generation agreement of the Genrent Peru Group. The discount rate applied to the cash flow projections is 15.1% (2020: 14.8%).

Assumptions were used in the value in use calculation of the Genrent Peru Group cash-generating unit for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue growth — The value assigned to the budgeted revenue growth rate is the average revenue achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

17. OTHER INTANGIBLE ASSETS

	Grid and related development rights HK$'000	Concession right HK$'000	Total HK$'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	44,459	47,903	92,362
Amortisation provided during the year	—	(2,878)	(2,878)
Exchange realignment	(167)	—	(167)
At 31 December 2021	44,292	45,025	89,317
At 31 December 2021:			
Cost	44,292	56,300	100,592
Accumulated amortisation	—	(11,275)	(11,275)
Net carrying amount	44,292	45,025	89,317
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	43,369	50,782	94,151
Amortisation provided during the year	—	(2,879)	(2,879)
Exchange realignment	1,090	—	1,090
At 31 December 2020	44,459	47,903	92,362
At 31 December 2020:			
Cost	44,459	56,300	100,759
Accumulated amortisation	—	(8,397)	(8,397)
Net carrying amount	44,459	47,903	92,362

18. INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Share of net assets	**1,746,121**	1,754,748

In January 2018, the Company and CITIC Pacific Limited ("CITIC Pacific"), through their respective subsidiaries, established 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 31 December 2021, the Group invested approximately HK$809,807,000 (2020: HK$787,730,000) in the Fund.

In September 2019, the Company and China National Technical Import & Export Corporation ("CNTIC"), through their respective subsidiaries, established CNTIC VPower Group Holdings Limited ("CNTIC VPower"), which is indirectly owned as to 50% by each of the Company and CNTIC. CNTIC VPower, together with its subsidiaries, was principally engaged in the development and operation of three power generation projects in Myanmar. As at 31 December 2021, the Group invested approximately HK$700,444,000 (2020: HK$700,444,000) in CNTIC VPower.

Particulars of the Group's material joint ventures are as follows:

Name	Registered capital/ Capital contribution	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
CNTIC VPower Group Holdings Limited	US$179,601,000	Hong Kong	50	50	50	Development and operation of power generation projects
Tamar VPower Energy Fund I, L.P.	US$201,982,117	Cayman Islands	50	50	50	Investment holding

The above investments are indirectly held by the Company.

CNTIC VPower Group Holdings Limited, which is considered a material joint venture of the Group, is accounted for using the equity method.

Tamar VPower Energy Fund I, L.P., which is considered a material joint venture of the Group, is accounted for using the equity method.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of CNTIC VPower Group Holdings Limited adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021	2020
	HK$'000	HK$'000
Cash and cash equivalents	**496,072**	293,163
Other current assets	**774,553**	635,409
Current assets	**1,270,625**	928,572
Non-current assets	**5,525,991**	2,820,108
Current liabilities	**(4,370,003)**	(1,008,998)
Non-current liabilities	**(569,634)**	(895,573)
Net assets	**1,856,979**	1,844,109
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**928,490**	922,055
Elimination of unrealised results on transactions between the Group and the joint venture	**(15,394)**	(5,886)
Carrying amount of the investment	**913,096**	916,169
Other income	**2,209,982**	1,280,308
Profit and total comprehensive income for the year	**12,870**	446,077

18. INTERESTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of Tamar VPower Energy Fund I, L.P. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021 **HK$'000**	2020 HK$'000
Cash and cash equivalents	**1,461**	984
Other current assets	**100**	99
Current assets	**1,561**	1,083
Non-current assets	**1,669,206**	1,677,057
Current liabilities	**(4,115)**	(528)
Net assets	**1,666,652**	1,677,612
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**833,326**	838,806
Revenue	**22,919**	100,063
Profit and total comprehensive income for the year	**6,075**	81,216
Distributions received	**30,595**	64,286

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021 **HK$'000**	2020 HK$'000
Share of the joint ventures' losses for the year	**74**	72
Aggregate carrying amount of the Group's interests in the joint ventures	**(301)**	(227)

19. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**136,464**	181,926
Work in progress	**2,364**	1,684
Finished goods	**914,805**	769,308
Spare parts and consumables	**209,331**	226,853
	1,262,964	1,179,771

20. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**2,715,120**	626,280
Bills receivable	**1,869**	1,380
Impairment	**(39,700)**	(9,019)
	2,677,289	618,641

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods range from 30 to 360 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by 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.

Included in the Group's trade receivables are amounts due from subsidiaries of a joint venture of HK$1,721,994,000 (2020: 27,329,000), which are repayable within 360 days (2020: 30 days).

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

	2021 HK$'000	2020 HK$'000
Within 90 days	**2,152,870**	290,392
91 to 180 days	**84,336**	106,205
181 to 360 days	**214,339**	23,389
Over 360 days	**225,744**	198,655
	2,677,289	618,641

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	SI Segment HK$'000	**IBO Segment** HK$'000	**Total** HK$'000
At 1 January 2020	1,900	2,259	4,159
Impairment losses/(reversal of impairment losses), net *(note 7)*	(168)	5,035	4,867
Exchange realignment	(7)	—	(7)
At 31 December 2020 and at 1 January 2021	1,725	7,294	9,019
Impairment losses, net *(note 7)*	838	29,780	30,618
Exchange realignment	8	55	63
At 31 December 2021	2,571	37,129	39,700

SI Segment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

SI Segment (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables within the SI Segment using a provision matrix:

As at 31 December 2021

	Credit impaired trade receivables	Current	Other trade receivables Past due days 1 to 30	31 to 90	Over 90	Total
Expected credit loss rate	**100%**	**0.01%**	**0.09%**	**0.16%**	**6.56%**	**0.11%**
Gross carrying amount (HK$'000)	**358**	**2,121,951**	**148,013**	**13,565**	**30,149**	**2,314,036**
Expected credit losses (HK$'000)	**358**	**86**	**128**	**22**	**1,977**	**2,571**

As at 31 December 2020

	Current	Past due days 1 to 30	31 to 90	Over 90	Total
Expected credit loss rate	0.05%	0.19%	0.34%	4.28%	0.68%
Gross carrying amount (HK$'000)	200,187	8,787	8,660	37,017	254,651
Expected credit losses (HK$'000)	94	17	29	1,585	1,725

IBO Segment

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. The Group also takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2021, the probability of default applied ranged from 0.01% to 47.48% (2020: 0.01% to 15.53%), and the loss given default was estimated to be 40.0% to 64.90% (2020: 100%).

Bills receivable

The Group applies a general approach in calculating ECLs for bill receivable. The Group classifies such instruments as Stage 1 and measures ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. All of the bills receivable are not past due and the expected credit loss rate is assessed to be minimal.

21. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	**2021 HK$'000**	2020 HK$'000
Prepayments		**285,767**	212,411
Deposits paid for purchases of property, plant and equipment		**38,420**	43,654
Deposits and other receivables		**163,814**	147,344
Capitalised contract costs for construction services		**—**	21,169
Capitalised contract costs for technical services		**—**	72,305
Due from joint ventures		**2,760**	2,853
Due from a related company	22	**—**	96
Contract assets *(note)*		**8,197**	7,249
		498,958	507,081
Current portion included in prepayments, deposits, other receivables and other assets		**(458,416)**	(462,671)
Non-current portion		**40,542**	44,410

The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

The financial assets included in the above balances relate to deposits, receivables and amounts due from joint ventures for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

Note:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Contract assets arising from sale of engine-based electricity generation units and construction services	**8,271**	7,290	5,996
Impairment	**(74)**	(41)	(11)
	8,197	7,249	5,985

Contract assets are initially recognised for revenue earned from the sale of engine-based electricity generation units and the provision of related construction services as the receipt of consideration is conditional on successful completion of installation of engine-based electricity generation units and construction, respectively. Included in contract assets are retention receivables. The retention receivables recognised as contract assets are reclassified to trade receivables after a retention period ranging from one to two years from the date of completion of the installation or construction. During the year ended 31 December 2021, a loss allowance of HK$31,000 (2020: loss allowance of HK$33,000) was recognised for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

21. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Note: (Continued)

The expected timing of recovery or settlement for contract assets is as follows:

	2021 HK$'000	2020 HK$'000
Within one year	3,992	3,001
More than one year	4,205	4,248
Total contract assets	8,197	7,249

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	41	11
Impairment losses, net *(note 7)*	31	33
Exchange realignment	2	(3)
At end of year	74	41

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December

	2021	2020
Expected credit loss rate	0.89%	0.56%
Gross carrying amount (HK$'000)	8,271	7,290
Expected credit losses (HK$'000)	74	41

22. DUE FROM A RELATED COMPANY

The amount due from a related company is non-trade related, unsecured and repayable on demand.

Particulars of the amount due from a related company are as follows:

31 December 2021

	At 31 December 2021 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2021 HK$'000
Orient Profit Investment Limited*	**–**	**130**	**96**

31 December 2020

	At 31 December 2020 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2020 HK$'000
Orient Profit Investment Limited*	96	96	96

* This related company is controlled by a controlling shareholder of the Company.

Since the amount due from a related company was not past due, the expected credit loss as at 31 December 2020 was assessed to be minimal.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	**—**	**628**	—	—
Interest rate swaps	**—**	**1,371**	—	9,196
Current portion	**—**	**1,999**	—	9,196

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to HK$658,000 (2020: HK$589,000) were charged to the consolidated statement of profit or loss during the year.

The Group has also entered into interest rate swap contracts with a notional amount of US$125,000,000 whereby it received interest at a variable rate based on the LIBOR on the notional amount and paid interest at a fixed rate ranging from 1.04% to 1.57%.

The swaps are designated as a hedging instrument to hedge the exposure to changes in future cash outflows of interests arising from its unsecured loan (note 30). The unsecured loan and the interest rate contracts have the same contractual terms. The hedge of the interest rate swaps was assessed to be effective, and a net loss of HK$8,389,000 (2020: HK$6,631,000) was reclassified from other comprehensive income to profit or loss as follows:

	2021	2020
	HK$'000	HK$'000
Total fair value loss included in the cash flow hedge reserve	**564**	15,633
Reclassified from other comprehensive income and recognised in finance costs included in the statement of profit or loss *(note 6)*	**(8,389)**	(6,631)
Net loss/(gain) on cash flow hedges	**(7,825)**	9,002

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the variable rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of the hedged items and hedging instruments

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness for the year ended 31 December 2021 of the hedging instruments was the same as that of the hedged items, equaling the amount of the total fair value loss included in the cash flow hedge reserve of HK$564,000 (2020: HK$15,633,000) above.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with RFRs, the Group is evaluating the impact on its existing hedge relationships. The evaluation is performed by a team headed by the chief financial officer and progress updates are made to the audit committee twice a year for interim and annual financial reporting. The Group has adopted the temporary reliefs provided by the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that may be affected by the interest rate benchmark reform, analysed by interest rate benchmarks. The derivative hedging instruments provide a close approximation to the extent of the risk exposure that the Group manages through hedging relationships.

As at 31 December 2021

	Nominal amount HK$'000	**Weighted average maturity** (Years)
Interest rate swap:		
United States dollar LIBOR	608,400	2.5

As at 31 December 2020

	Nominal amount HK$'000	**Weighted average maturity** (Years)
Interest rate swap:		
United States dollar LIBOR	664,950	2.5

24. RESTRICTED CASH

The Group is required to place in designated bank accounts with the collection amounts from its business operation in Peru and Hong Kong as secured deposits for the purpose of the repayment of principal and interest of the senior notes and a bank borrowing, the details of which are set out in note 29 and note 30 to the financial statements.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2021 HK$'000	2020 HK$'000
Cash and bank balances		**572,182**	1,081,902
Less: Pledged deposits for banking facilities and bank borrowings	30	**(38,725)**	(37,126)
Less: Restricted cash	24	**(71,098)**	(66,594)
Cash and cash equivalents		**462,359**	978,182

The Group's cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Hong Kong dollars	**28,260**	32,833
Euro	**6,568**	27,939
Renminbi ("RMB")	**60,756**	49,955
United States dollars ("USD")	**257,145**	734,033
Perurian Soles ("PEN")	**65,222**	61,277
Indonesian Rupiah ("IDR")	**4,482**	23,393
Others	**39,926**	48,752
	462,359	978,182

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE AND BILLS PAYABLES

	2021 HK$'000	2020 HK$'000
Trade and bills payables	**2,118,265**	844,739
Portion classified as current liabilities	**(2,118,265)**	(802,006)
Non-current portion	**–**	42,733

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

	2021 HK$'000	2020 HK$'000
Within 90 days	**1,893,810**	441,428
91 to 180 days	**96,251**	170,986
181 to 360 days	**112,710**	213,980
Over 360 days	**15,494**	18,345
	2,118,265	844,739

Included in the Group's trade payables are amounts due to subsidiaries of a joint venture of HK$198,941,000 (2020: HK$185,556,000), which are repayable by instalments up to August 2022. Other trade and bills payables are non-interest-bearing and are normally settled on terms ranging from 30 to 360 days.

27. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Due to engineering, procurement and construction contractors ("EPC Contractors")	**222,142**	391,948
Sundry payables	**115,107**	118,823
Accruals	**82,105**	49,586
Loan payables	**106,760**	44,888
	526,114	605,245
Current portion included in other payables and accruals	**(377,251)**	(324,122)
Non-current portion	**148,863**	281,123

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to EPC Contractors and sundry payables are unsecured and non-interest-bearing.

The amounts due to EPC Contractors with a carrying amount as at 31 December 2021 of HK$222,142,000 (2020: HK$391,948,000) were repayable by instalments up to January 2024 (2020: January 2024).

Included in the sundry payables is an amount due to a subsidiary of a joint venture of HK$21,816,000 (2020: HK$31,212,000), which is repayable by instalments up to March 2022 (2020: March 2022). Other sundry payables have an average term of 30 days.

As at 31 December 2021, the loan payables represented (i) an amount due to a non-controlling shareholder which is unsecured, non-interest-bearing (2020: non-interest-bearing) and is repayable based on terms stipulated in the loan agreement, and (ii) an amount due to a subsidiary of a joint venture which was unsecured and bore interest at a rate of 4% (2020: nil) per annum and repayable within one year.

28. CONTRACT LIABILITIES

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Short-term advances received from customers			
Sale of engine-based electricity generation units	**115,082**	102,370	122,868
Construction services*	**—**	753,452	—
Provision of technical services*	**—**	19,500	—
Total contract liabilities	**115,082**	875,322	122,868

Contract liabilities are short-term advances received from customers for construction services, sale of engine-based electricity generation units and provision of technical services. The decrease in contract liabilities in 2021 was mainly due to the completion of construction services and provision of technical services during the year. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the construction services and provision of technical services at the end of that year.

* The advances were received from subsidiaries of a joint venture.

29. SENIOR NOTES

In February 2018, a subsidiary of the Company, Genrent del Peru S.A.C., issued senior notes with a face value of US$106,500,000 (equivalent to HK$830,700,000) and bearing interest at a rate of 5.88% per annum, which are repayable semi-annually in February and August each year with maturity in February 2037, unless redeemed earlier. The senior notes are secured by, among other things, (i) the assets of such subsidiary, which must remain free of any other lien until maturity; (ii) the equity interest in such subsidiary held by its shareholders; and (iii) a fiduciary trust which was constituted on certain bank collection accounts of such subsidiary, deposit in which amounting to US$7,842,000 (equivalent to approximately HK$61,164,000) and US$8,538,000 (equivalent to approximately HK$66,594,000) as at 31 December 2021 and 31 December 2020, respectively.

	2021 **HK$'000**	2020 HK$'000
Amounts payable:		
Within one year	**24,299**	21,978
In the second year	**28,908**	24,299
In the third to fifth years, inclusive	**101,182**	94,238
Beyond five years	**591,133**	626,986
	745,522	767,501
Analysed into:		
Current portion	**24,299**	21,978
Non-current portion	**721,223**	745,523
	745,522	767,501

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021 Effective interest rate (%)	31 December 2021 Maturity	31 December 2021 HK$'000	31 December 2020 Effective interest rate (%)	31 December 2020 Maturity	31 December 2020 HK$'000
Current						
Bank overdraft — unsecured	**2.0**	**2022**	**9,429**	—	—	—
Portions of bank loans due for repayment within one year or on demand — unsecured	**1.09–4.92**	**2022**	**1,759,099**	1.04–3.05	2021	1,029,969
Other borrowings — secured	**6.2**	**2022**	**63,175**	6.2	2021	108,313
			1,831,703			1,138,282
Non-current						
Portions of bank loans due for repayment after one year – unsecured	**1.09–3.05**	**2023–2024**	**1,274,791**	1.04–3.05	2022–2023	1,241,679
Other borrowings — secured	**–**	**–**	**–**	6.2	2022	41,462
			1,274,791			1,283,141
			3,106,494			2,421,423

Based on the maturity terms of these term loans, the Group's bank and other borrowings are repayable:

	2021 HK$'000	2020 HK$'000
Within one year	**1,831,703**	1,138,282
In the second year	**332,114**	1,162,861
In the third to fifth years, inclusive	**942,677**	120,280
	3,106,494	2,421,423

(a) Certain of the Group's bank and other borrowings are secured by:

(i) the pledge of certain of the Group's property, plant and equipment with a net carrying amount of HK$31,664,000 (2020: HK$52,339,000) as at 31 December 2021 (note 13); and

(ii) the pledge of certain of the Group's cash deposits amounting to HK$38,725,000 (2020: HK$37,126,000) as at 31 December 2021 (note 25).

(iii) certain debt service reserves amounting to US$1,274,000 (equivalent to approximately HK$9,934,000) (2020: Nil) as at 31 December 2021.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(b) The Group's bank and other borrowings are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
Hong Kong dollars	**145,746**	277,655
BRL	**48,338**	—
Euro	**9,758**	101,684
Great British Pound	**9,429**	—
USD	**2,873,659**	2,023,273
RMB	**6,465**	—
PEN	**13,099**	18,811
	3,106,494	2,421,423

31. PROVISION FOR RESTORATION

	2021	2020
	HK$'000	HK$'000
At 1 January	**26,310**	27,000
Additional provision	**390**	1,950
Amount utilised during the year	**(328)**	(2,640)
Exchange alignment	**(2)**	—
At 31 December	**26,370**	26,310
Portion classified as current liabilities	**(5,681)**	(6,123)
Non-current portion	**20,689**	20,187

The provision for restoration represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and facilities and restoring the sites on which they are located.

32. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities	Depreciation allowances in excess of related depreciation HK$'000	Withholding tax HK$'000	Intangible assets acquired in a business combination HK$'000	Total HK$'000
At 1 January 2020	107,483	7,636	11,112	126,231
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	(29,399)	860	(632)	(29,171)
At 31 December 2020 and at 1 January 2021	**78,084**	**8,496**	**10,480**	**97,060**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	**17,442**	**3,439**	**(632)**	**20,249**
Gross deferred tax liabilities at 31 December 2021	**95,526**	**11,935**	**9,848**	**117,309**

Deferred tax assets	Depreciation in excess of related depreciation allowances/Unrealised profits on inventories/ Others HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2020	11,389	111,428	122,817
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	(1,458)	(47,982)	(49,440)
Exchange realignment	319	—	319
At 31 December 2020 and at 1 January 2021	**10,250**	**63,446**	**73,696**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 10)*	**(2,024)**	**6,620**	**4,596**
Exchange realignment	**(84)**	**—**	**(84)**
Gross deferred tax assets at 31 December 2021	**8,142**	**70,066**	**78,208**

32. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,434	4,750
Net deferred tax liabilities recognised in the consolidated statement of financial position	(41,535)	(28,114)
Net deferred tax liabilities	(39,101)	(23,364)

As at 31 December 2021, the Group had tax losses of HK$3,767,000 (2020: HK$5,968,000) arising in Hong Kong, subject to the agreement by the Hong Kong Inland Revenue Department, that were available indefinitely for offsetting against the future taxable profits of the company in which the losses arose.

As at 31 December 2021, the Group also had tax losses arising in Mainland China of HK$20,000 (2020: HK$9,627,000) that will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2021, the Group also had tax losses arising in Peru of S/85,637,000 (equivalent to approximately HK$166,878,000) (2020: S/81,625,000 (equivalent to approximately HK$173,461,000)) that may be offset against future profits year after year until its final extinction, applying up to 50% of its taxable profit.

As at 31 December 2021, the Group also had tax losses arising in Sri Lanka of Sri Lankan Rupee 2,568,566,000 (equivalent to approximately HK$99,669,000) (2020: Sri Lankan Rupee 1,092,534,000 (equivalent to approximately HK$46,095,000)) that will expire in six years for offsetting against future taxable profits.

Deferred tax assets of HK$627,000 (2020: HK$3,392,000) have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,701,693,013 (2020: 2,646,915,000) ordinary shares of HK$0.1 each	**270,169**	264,692

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

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2020		2,562,284,000	256,228
Share options exercised	(a)	1,631,000	164
Issue of subscription shares	(b)	83,000,000	8,300
At 31 December 2020 and at 1 January 2021		2,646,915,000	264,692
Shares issued in lieu of cash dividend	(c)	54,778,013	5,477
At 31 December 2021		2,701,693,013	270,169

(a) Share options with rights to subscribe for 1,631,000 shares were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 1,631,000 ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$3,289,000. An amount of HK$2,098,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) On 23 July 2020, 83,000,000 shares were allotted and issued at the subscription price of HK$3.75 per share pursuant to a placing and subscription arrangement for a cash consideration, before expenses, of HK$311,250,000.

(c) On 11 June 2021, the Company's shareholders approved at the annual general meeting a final dividend of HK3.45 cents per ordinary share payable in cash for the year ended 31 December 2020 (the "2020 Final Dividend") for which the board of directors offered to shareholders a scrip dividend alternative (the "Scrip Dividend Scheme"). During the year ended 31 December 2021, 44,487,661 new shares were issued by the Company at a deemed price of HK$1.7803 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle the 2020 Final Dividend of HK$79,202,000. The remaining balance of the 2020 Final Dividend of HK$12,117,000 was satisfied by cash. Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 28 June 2021.

On 27 August 2021, the board of directors approved an interim dividend of HK0.75 cent per ordinary share payable in cash with a scrip dividend alternative (the "Interim Scrip Dividend Scheme") for the six months period ended 30 June 2021 (the "2021 Interim Dividend"). During the year ended 31 December 2021, 10,290,352 new shares were issued by the Company at a deemed price of HK$1.5751 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle the 2021 Interim Dividend of HK$16,208,000. The remaining balance of the 2021 Interim Dividend of HK$3,977,000 was satisfied by cash. Further details of the Interim Scrip Dividend Scheme are set out in the Company's circular dated 23 September 2021.

33. SHARE CAPITAL (CONTINUED)

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 34 and 35 to the financial statements, respectively.

34. SHARE OPTION SCHEMES

The Company adopted a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") (collectively, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme; and (ii) the exercise price and the exercise period of the share options are different as further detailed below.

Eligible participants of the Schemes include the Company's directors, including independent non-executive directors, other employees of the Group, consultants of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. 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.

The maximum number of unexercised share options currently permitted to be granted under the Schemes is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 24 November 2016. The maximum number of shares issuable under share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of share options under the Pre-IPO Share Option Scheme is HK$2.016 per share and the share options are exercisable after a vesting period of one to three years in the following manner:

Vesting period of the relevant percentage of the options	Maximum percentage of options exercisable
From 1 November 2016 to 23 November 2017	33.75%
From 1 November 2016 to 23 November 2018	33.30%
From 1 November 2016 to 23 November 2019	32.95%

34. SHARE OPTION SCHEMES (CONTINUED)

The offer of a grant of share options under the Share Option Scheme may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period for options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme shall not be later than the sixth anniversary date of the listing date of the Company (i.e. 24 November 2016) and 10 years from the date of grant of the share options, respectively.

The exercise price of share options under the Share Option Scheme is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares on the date of offer.

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 year:

	2021		2020	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At beginning of year	**2.016**	**2,462**	2.016	4,180
Forfeited/expired during the year	**2.016**	**(1,048)**	2.016	(87)
Exercised during the year	**—**	**—**	2.016	(1,631)
At end of year	**2.016**	**1,414**	2.016	2,462

During year ended 31 December 2020, the weighted average share price at the date of exercise for share options exercised was HK$3.17 per share.

34. SHARE OPTION SCHEMES (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021

Number of options '000	Exercise price per share* HK$	Exercise period
1,414	**2.016**	**24 November 2019 to 23 November 2022**

2020

Number of options '000	Exercise price per share* HK$	Exercise period
1,013	2.016	24 November 2018 to 23 November 2021
1,449	2.016	24 November 2019 to 23 November 2022
2,462		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share option expense was recognised during the year ended 31 December 2021 (2020: Nil).

During the year ended 31 December 2020, 1,631,000 share options were exercised, resulting in the issue of 1,631,000 ordinary shares of the Company and new share capital of HK$164,000 and share premium of HK$5,223,000, as further detailed in note 33 to the financial statements.

At the end of the reporting period, the Company had 1,414,000 (2020: 2,462,000) 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 1,414,000 (2020: 2,462,000) additional ordinary shares of the Company and additional share capital of HK$141,000 (2020: HK$246,000) and share premium of HK$2,709,000 (2020: HK$4,717,000) (before issue expenses).

At the date of approval of these financial statements, the Company had not granted any share option under the Share Option Scheme; and had 1,414,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.05% of the Company's shares in issue as at that date.

35. SHARE AWARD SCHEME

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

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

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

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

During the year ended 31 December 2020, the Group purchased 11,462,000 of its own shares through the Trustee from the open market. The total amount paid to acquire the shares was approximately HK$38,064,000 and had been deducted from equity. As at 31 December 2021, 9,487,000 shares were classified as treasury shares of the Company as they were not yet awarded to any selected participants.

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

	Number of ordinary shares	**Shares held under the Share Award Scheme** HK$'000
At 1 January 2019, 31 December 2019 and 1 January 2020	12,354,000	58,122
Purchases of shares for the Share Award Scheme	11,462,000	38,064
Shares awarded	(5,020,000)	(23,618)
At 31 December 2020 and 1 January 2021	18,796,000	72,568
Share awarded	(9,500,000)	(36,678)
Allotment of scrip shares	191,000	—
At 31 December 2021	9,487,000	35,890

During the year, the Company awarded 9,500,000 (2020: 5,020,000) shares to the eligible participants under the Share Award Scheme.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

(a) Merger reserve

The merger reserve represents the excess of the net asset value of Crest Pacific over the nominal value of the shares of Crest Pacific acquired by the Company pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company in 2016 (the "Reorganisation").

(b) Capital reserve

Capital reserve represents the deemed capital contribution from Mr. Lam Yee Chun, a controlling shareholder and an executive director of the Company, in respect of (i) the disposal of 276,000 shares of Crest Pacific to certain employees and consultants at par value in 2012 in exchange for services rendered by the employees and consultants to the Group; (ii) the transfer of 10% equity interest in Crest Pacific in 2013 in exchange for the Group's acquisition of the remaining 20% equity interest in VPower Technology Limited from the non-controlling shareholder; and (iii) the disposal of 120,000 shares of Crest Pacific to a consultant at par value in 2013 in exchange for services rendered by the consultant to the Group; and the excess of the net asset value of Crest Pacific acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor. In the prior year, the Company acquired an additional 49% equity interest in a subsidiary, VP Flexgen (Brazil) Spe Ltda ("Brazil subsidiary"), from the non-controlling shareholder at a consideration of HK$8,779,000. The Company's interest in the Brazil subsidiary was accordingly increased from 51% to 100% upon the completion of the transaction. The increase of the Company's equity interest in the Brazil subsidiary from 51% to 100% did not result in any changes of the Company's control over the Brazil subsidiary and was accordingly accounted for as an equity transaction. The surplus of approximately HK$764,000, representing the difference between the consideration and the amount of non-controlling interests of approximately HK$8,015,000, was debited to the capital reserve.

(c) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after the vesting date.

(d) Statutory reserve funds

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company's subsidiaries in Mainland China has been transferred to the statutory reserve funds which are restricted to use.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Genrent Peru Group	**49%**	49%

	2021 **HK$'000**	2020 HK$'000
Profit for the year allocated to non-controlling interests:		
Genrent Peru Group	**11,013**	9,139
Accumulated balance of non-controlling interests at the reporting date:		
Genrent Peru Group	**56,945**	45,932

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Genrent Peru Group	
	2021 **HK$'000**	2020 HK$'000
Revenue	**484,651**	452,319
Total expenses, net	**(462,176)**	(433,667)
Profit for the year and total comprehensive income for the year	**22,475**	18,652
Current assets	**251,882**	251,084
Non-current assets	**783,840**	822,969
Current liabilities	**(116,134)**	(136,365)
Non-current liabilities	**(803,374)**	(843,964)
Net cash flows from operating activities	**108,495**	113,878
Net cash flows from/(used in) investing activities	**(9,036)**	13,805
Net cash flows used in financing activities	**(93,473)**	(76,464)
Net increase in cash and cash equivalents	**5,986**	51,219

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$72,769,000 (2020: HK$56,907,000) and HK$72,769,000 (2020: HK$56,907,000), respectively, in respect of lease arrangements for leased properties and a machine.

During the year, the Group derecognised right-of-use assets and lease liabilities of HK$248,000 (2020: HK$93,000) and HK$251,000 (2020: HK$97,000), respectively, in respect of early termination of a lease arrangement for a leased property.

(ii) In the prior year, the Group entered into financing arrangements with EPC Contractors in respect of property, plant and equipment with a total capital value at the inception of the financing arrangements of HK$140,901,000.

(iii) In the prior year, payables to certain EPC Contractors were offset against other receivables in aggregate amount of HK$246,971,000.

(iv) The Group entered into contractual agreements in respect of its office premises and IBO agreements in respect of its power generation assets. Pursuant to the terms and conditions of the contractual agreements and IBO agreements, the Group is required to restore the office premises and the power generation sites to the conditions as stipulated in the agreements. During the year ended 31 December 2021, the Group has accrued and capitalised the estimated restoration cost of HK$390,000 (2020: HK$1,950,000) when such obligation has arisen.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	Senior notes HK$'000	Bank and other loans HK$'000	Lease liabilities HK$'000	Loan payables HK$'000
At 1 January 2020	782,119	3,232,261	17,582	253,521
Changes from operating cash flows	—	—	(2,632)	—
Changes from financing cash flows	(17,724)	(837,928)	(15,952)	(208,633)
Repayment of bank overdrafts	—	(4,237)	—	—
Non-cash changes:				
Amortisation of debt establishment costs	3,106	25,385	—	—
New leases	—	—	56,907	—
Early termination of a lease	—	—	(97)	—
Covid-19-related rent concessions from lessors	—	—	(23)	—
Notional interest on lease liabilities	—	—	2,632	—
Foreign exchange movement	—	5,942	2,486	—
At 31 December 2020 and 1 January 2021	767,501	2,421,423	60,903	44,888
Changes from operating cash flows	**—**	**—**	**(3,978)**	**—**
Changes from financing cash flows	**(25,111)**	**643,920**	**(15,162)**	**61,872**
Bank overdrafts	**—**	**9,429**	**—**	**—**
Non-cash changes:				
Amortisation of debt establishment costs	**3,132**	**33,730**	**—**	**—**
New leases	**—**	**—**	**72,769**	**—**
Early termination of a lease	**—**	**—**	**(251)**	**—**
Lease modification	**—**	**—**	**202**	**—**
Notional interest on lease liabilities	**—**	**—**	**3,978**	**—**
Foreign exchange movement	**—**	**(2,008)**	**(754)**	**—**
At 31 December 2021	**745,522**	**3,106,494**	**117,707**	**106,760**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**3,978**	2,632
Within financing activities	**15,162**	15,952
	19,140	18,584

39. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2020: Nil).

40. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Power generation assets	**300,245**	326,776
Capital contribution to the Fund	**9,193**	31,270

41. RELATED PARTY TRANSACTIONS

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

	2021 HK$'000	2020 HK$'000
A related company:		
Lease expense*	**1,589**	938
Subsidiaries of joint ventures:		
Purchase of goods	**—**	201,986
Provision of technical services	**59,742**	18,812
Provision of construction services	**2,352,953**	—
Sale of goods	**70,637**	65,668
Interest expense#	**6,511**	3,138

* Lease expense to Orient Profit Investment Limited comprised of depreciation charge of right-of-use assets and interest on lease liabilities amounting to HK$1,498,000 (2020: HK$913,000) and HK$91,000 (2020: HK$25,000), respectively. The related company is controlled by a controlling shareholder of the Company. The right-of-use assets and lease liabilities as at 31 December 2021 were HK$1,498,000 (2020: Nil) and HK$1,657,000 (2020: Nil), respectively.

Interest expense was related to the inventories purchased and loan advanced, details of the terms thereof are disclosed in note 26 and note 27 to the financial statements, respectively.

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

(b) Commitments with related companies

(i) As at 31 December 2020, the joint ventures had capital commitments of HK$1,578,775,000, which are contracted, but not provided for, to the Group for the engineering, procurement and construction of power generation assets.

(ii) On 1 January 2021, a subsidiary of the Group entered into a tenancy agreement with Orient Profit Investment Limited to rent a residential property in Hong Kong at a monthly rent of HK$130,000, for a term of two years.

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' and chief executives' remuneration as disclosed in note 8 to the financial statements, is as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**24,538**	29,354
Post-employment benefits	**153**	162
Equity-settled share-based payment expense	**6,354**	6,755
Total compensation paid to key management personnel	**31,045**	36,271

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost HK$'000
Trade and bills receivables	2,677,289
Financial assets included in prepayments, deposits, other receivables and other assets	141,255
Restricted cash	71,098
Pledged deposits	38,725
Cash and cash equivalents	462,359
	3,390,726

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	—	2,118,265	2,118,265
Financial liabilities included in other payables and accruals	—	499,909	499,909
Derivative financial instruments	1,999	—	1,999
Senior notes	—	745,522	745,522
Interest-bearing bank and other borrowings	—	3,106,494	3,106,494
Lease liabilities	—	117,707	117,707
	1,999	6,587,897	6,589,896

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

Financial assets

	Financial assets at amortised cost HK$'000
Trade and bills receivables	618,641
Financial assets included in prepayments, deposits, other receivables and other assets	209,651
Restricted cash	66,594
Pledged deposits	37,126
Cash and cash equivalents	978,182
	1,910,194

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	—	844,739	844,739
Financial liabilities included in other payables and accruals	—	575,367	575,367
Derivative financial instruments	9,196	—	9,196
Senior notes	—	767,501	767,501
Interest-bearing bank and other borrowings	—	2,421,423	2,421,423
Lease liabilities	—	60,903	60,903
	9,196	4,669,933	4,679,129

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, trade and bills receivables, the current portion of financial assets included in prepayments, deposits, other receivables and other assets, trade and bills payables, the current portion of financial liabilities included in other payables and accruals, senior notes, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits, other receivables and other assets, non-current portion of financial liabilities included in other payables and accruals, senior notes, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values of the non-current portion of financial assets included in prepayments, deposits, other receivables and other assets, the non-current portion of financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their carrying amounts. The fair value of senior notes is disclosed below.

The Group enters into derivative financial instruments with creditworthy financial institutions. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of the counterparties, foreign exchange spot and forward rates and interest rate curves. As at 31 December 2021 and 2020, the carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	1,999	—	1,999

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	9,196	—	9,196

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Senior notes	—	—	739,361	739,361
Interest bearing bank borrowings	—	—	5,974	5,974
	—	—	745,335	745,335

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Senior notes	—	—	760,491	760,491

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, senior notes and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, deposits, other receivables and other assets, restricted cash, pledged deposits, trade and bills payables, and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts and interest rate swaps. The purpose is to manage the currency risk and interest rate risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees the policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2021, after taking into account the effect of the interest rate swaps, approximately 37% (2020: 49%) of the Group's interest-bearing borrowings bore interest at fixed rates.

At the end of the reporting period, if the interest rates on bank borrowings had been 25 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK$6,138,000 (2020: HK$4,033,000) as a result of higher/lower interest expenses on bank borrowings.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group entered into forward currency contracts with certain financial institutions to reduce its exposure to foreign currency risk. These derivative financial instruments are not accounted for under hedge accounting. The directors continue to monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and IDR exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/(decrease) in exchange rate %	Increase/(decrease) in profit before tax HK$'000
2021		
If the Hong Kong dollar weakens against the Euro	**5**	**(3,513)**
If the Hong Kong dollar strengthens against the Euro	**(5)**	**3,513**
If the Hong Kong dollar weakens against the IDR	**5**	**1,431**
If the Hong Kong dollar strengthens against the IDR	**(5)**	**(1,431)**
2020		
If the Hong Kong dollar weakens against the Euro	5	(15,232)
If the Hong Kong dollar strengthens against the Euro	(5)	15,232
If the Hong Kong dollar weakens against the IDR	5	3,332
If the Hong Kong dollar strengthens against the IDR	(5)	(3,332)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group mainly transacts with creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	—	—	2,715,120	2,715,120
Bills receivable					
— Not yet past due	1,869	—	—	—	1,869
Contract assets included in prepayments, deposits, other receivables and other assets*	—	—	—	8,271	8,271
Financial assets included in prepayments, deposits, other receivables and other assets					
— Normal**	141,255	—	—	—	141,255
Restricted cash					
— Not yet past due	71,098	—	—	—	71,098
Pledged deposits					
— Not yet past due	38,725	—	—	—	38,725
Cash and cash equivalents					
— Not yet past due	462,359	—	—	—	462,359
	715,306	—	—	2,723,391	3,438,697

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	—	—	626,280	626,280
Bills receivable					
— Not yet past due	1,380	—	—	—	1,380
Contract assets included in prepayments, deposits, other receivables and other assets*	—	—	—	7,290	7,290
Financial assets included in prepayments, deposits, other receivables and other assets					
— Normal**	209,651	—	—	—	209,651
Restricted cash					
— Not yet past due	66,594	—	—	—	66,594
Pledged deposits					
— Not yet past due	37,126	—	—	—	37,126
Cash and cash equivalents					
— Not yet past due	978,182	—	—	—	978,182
	1,292,933	—	—	633,570	1,926,503

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables is disclosed in note 20 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 60% (2020: 24%) and 84% (2020: 67%) of the Group's trade and bills receivables were due from the Group's largest debtor and five largest debtors, respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021			
	On demand/ less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	2,118,265	—	—	2,118,265
Financial liabilities included in other payables and accruals	352,007	155,666	—	507,673
Senior notes	72,924	305,657	825,347	1,203,928
Interest-bearing bank and other borrowings	1,909,148	1,343,670	—	3,252,818
Lease liabilities	20,791	35,542	123,548	179,881
Derivative financial instruments				
Interest rate swaps (net settlement)				
— net outflow	2,805	2,768	—	5,573
Forward currency contract (gross settlement)				
— outflow	70,761	—	—	70,761
— inflow	(70,515)	—	—	(70,515)
	4,476,186	1,843,303	948,895	7,268,384

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2020			
	On demand/ less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	802,006	42,733	—	844,739
Financial liabilities included in other payables and accruals	295,366	296,049	—	591,415
Senior notes	72,073	302,048	901,880	1,276,001
Interest-bearing bank and other borrowings *(note)*	1,210,310	1,317,544	—	2,527,854
Lease liabilities	10,556	18,879	67,575	97,010
Derivative financial instruments				
Interest rate swaps (net settlement)				
— net outflow	8,830	1,183	—	10,013
	2,399,141	1,978,436	969,455	5,347,032

Note:

Included in the above interest-bearing bank and other borrowings of the Group as at 31 December 2020 were term loans with a carrying amount of HK$43,630,000. The loan agreements contain a repayment on demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months from the end of the reporting period, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Within 1 year or on demand HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
As at 31 December 2020	44,208	—	44,208

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings and interest rate swaps denominated in Euro and USD. The interest rates of these instruments are based on the LIBOR with a tenor of one month or three months, which will cease to be published after either 31 December 2021 or 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities — carrying value HK$'000	Derivatives — nominal amount HK$'000
Interest-bearing bank borrowings		
— USD LIBOR	2,804,510	—
— Euro LIBOR	9,758	—
Interest rate swaps		
— USD LIBOR	—	608,400
	2,814,268	608,400

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform (Continued)

As at 31 December 2020

	Non-derivative financial liabilities — carrying value HK$'000	Derivatives — nominal amount HK$'000
Interest-bearing bank borrowings		
— USD LIBOR	1,533,628	—
— Euro LIBOR	101,684	—
Interest rate swaps		
— USD LIBOR	—	664,950
	1,635,312	664,950

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

Capital of the Group comprises all components of shareholders' equity.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**330,010**	330,807
CURRENT ASSETS		
Prepayments and other receivables	**401**	110
Due from subsidiaries	**2,016,310**	2,015,256
Cash and cash equivalents	**920**	1,780
Total current assets	**2,017,631**	2,017,146
CURRENT LIABILITIES		
Other payables and accruals	**519**	455
Due to subsidiaries	**2,747**	—
Total current liabilities	**3,266**	455
NET CURRENT ASSETS	**2,014,365**	2,016,691
Net assets	**2,344,375**	2,347,498
EQUITY		
Share capital	**270,169**	264,692
Reserves *(note)*	**2,074,206**	2,082,806
Total equity	**2,344,375**	2,347,498

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Share option reserve HK$'000 *(note 36(c))*	Shares held under the share award scheme HK$'000 *(note 35)*	Retained profits HK$'000	Total HK$'000
At 1 January 2020	1,512,209	128,895	5,411	(58,122)	185,460	1,773,853
Profit and total comprehensive income for the year	—	—	—	—	142,948	142,948
Issue of subscription shares	285,047	—	—	—	—	285,047
Issue of shares upon exercise of share options	5,223	—	(2,098)	—	—	3,125
Transfer of share option reserve upon the forfeiture or expiry of share options	—	—	(105)	—	80	(25)
Equity-settled share-based arrangement	—	—	—	23,618	(11,721)	11,897
Purchase of shares for the share award scheme	—	—	—	(38,064)	—	(38,064)
Final 2019 dividend	—	—	—	—	(56,218)	(56,218)
Interim 2020 dividend	—	—	—	—	(39,757)	(39,757)
At 31 December 2020 and at 1 January 2021	1,802,479	128,895	3,208	(72,568)	220,792	2,082,806
Loss and total comprehensive loss for the year	—	—	—	—	(3,403)	(3,403)
Shares issued as scrip dividend during the year	89,593	—	—	—	—	89,593
Transfer of share option reserve upon the forfeiture or expiry of share options	—	—	(1,336)	—	539	(797)
Equity-settled share-based arrangement	—	—	—	36,678	(19,578)	17,100
Final 2020 dividend	—	—	—	—	(90,979)	(90,979)
Interim 2021 dividend	—	—	—	—	(20,114)	(20,114)
At 31 December 2021	1,892,072	128,895	1,872	(35,890)	87,257	2,074,206

Capital reserve

The Company's capital reserve represents the excess of the net asset value of Crest Pacific acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

FIVE YEAR FINANCIAL SUMMARY

A SUMMARY OF RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**5,094,079**	3,386,936	2,794,036	2,420,749	1,746,016
Cost of sales	**(4,281,566)**	(2,575,810)	(2,056,794)	(1,714,007)	(1,169,189)
Gross profit	**812,513**	811,126	737,242	706,742	576,827
Other income and gains, net	**12,019**	175,461	143,505	40,164	190,246
Selling and distribution expenses	**(29,023)**	(33,131)	(30,981)	(25,794)	(29,091)
Administrative expenses	**(408,643)**	(344,813)	(338,986)	(272,561)	(205,031)
Other expenses, net	**(79,196)**	(69,308)	(5,210)	(32,489)	(98,620)
Finance costs	**(210,393)**	(220,544)	(249,296)	(191,359)	(76,999)
Share of profits and losses of joint ventures	**9,400**	263,574	66,873	6,298	—
PROFIT BEFORE TAX	**106,677**	582,365	323,147	231,001	357,332
Income tax expense	**(49,938)**	(56,932)	(40,889)	(30,096)	(26,014)
PROFIT FOR THE YEAR	**56,739**	525,433	282,258	200,905	331,318
Attributable to:					
Owners of the Company	**45,689**	516,294	283,551	213,288	331,924
Non-controlling interests	**11,050**	9,139	(1,293)	(12,383)	(606)
	56,739	525,433	282,258	200,905	331,318

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**10,349,317**	9,131,061	8,951,272	7,394,227	5,926,607
TOTAL LIABILITIES	**(6,816,870)**	(5,649,573)	(6,092,636)	(4,777,873)	(3,465,885)
	3,532,447	3,481,488	2,858,636	2,616,354	2,460,722
EQUITY					
Equity attributable to owners of the Company	**3,475,465**	3,435,556	2,821,843	2,570,200	2,461,316
Non-controlling interests	**56,982**	45,932	36,793	46,154	(594)
	3,532,447	3,481,488	2,858,636	2,616,354	2,460,722

KEY FINANCIAL RATIOS

	As of and for the year ended 31 December				
	2021	2020	2019	2018	2017
Profitability ratios					
Return on equity(1)	**1.6%**	16.6%	10.3%	7.9%	14.0%
Return on total assets(2)	**0.6%**	5.8%	3.5%	3.0%	6.1%
Liquidity ratios					
Current ratio(3)	**1.1**	1.0	1.1	1.4	1.4
Quick ratio(4)	**0.8**	0.7	0.9	1.0	1.1
Liabilities to assets ratio(5)	**0.7**	0.6	0.7	0.6	0.6
Capital adequacy ratios					
Net gearing ratio(6)	**92.8%**	60.5%	108.4%	117.9%	7.7%
Interest coverage(7)	**1.5**	3.6	2.3	2.2	5.6
EBITDA interest coverage(8)	**3.1**	5.1	3.4	3.2	7.8

Notes:

(1) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant year and multiplied by 100%.

(2) Return on total assets is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total assets in the relevant year and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(5) Liabilities to assets ratio is calculated based on total liabilities divided by total assets.

(6) Net gearing ratio is calculated based on the percentage of total borrowings (excluding loan from a shareholder) less cash and cash equivalents, restricted cash and pledged deposits to total equity.

(7) Interest coverage is calculated by dividing profit before tax and finance costs by finance costs.

(8) EBITDA interest coverage is calculated by dividing earnings before interest, tax, depreciation and amortisation by finance costs.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Yee Chun
(Executive Chairman and Co-Chief Executive Officer)
Mr. Lee Chong Man Jason
(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

Ms. Wong Wai Man

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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

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STOCK CODE

1608