



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

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

Stock Code: 1608

INTERIM REPORT 2022



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; 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.

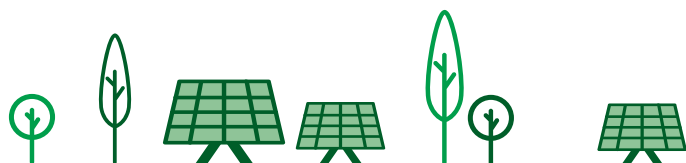
Along with the global effort to combat climate change, we have a strong commitment to achieving carbon neutrality by 2050. We adopt strategies in line with our targets involving the development of distributed integrated energy solutions that apply combined cooling, heat and power systems, renewables or new forms of fuel and energy 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 business expansion, and to continue to deliver efficient solutions and create sustainable value for all stakeholders.

We power the world, and light up possibilities.

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MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global political turmoil coincided with the continuing COVID-19 pandemic impeded the economic recovery in the first half of 2022. The World Bank also raised concerns about global economic prospects earlier this year, with particular emphasis on the heightened geopolitical conflicts which stoked the prices of several commodities and the expectation for risen full year inflation rates in the vast majority of countries.

Meanwhile, energy crisis expanded around the world. Shortages in natural gas supply and the persistent extreme weather caused a surge in fuel prices, thus a substantial rise in electricity tariff. In the face of potential power outages, governments of certain European countries and emerging markets struggled to adopt emergency measures including reactivating coal-fired power projects and implementing power rationing.

Energy transition still prevailed globally despite acute energy shocks. Aiming at enhancing energy security and combating long-term climate crisis, governments and investment institutions remained supportive to the development of green infrastructures with global investments in renewable energy totalling US\$226 billion in the first half of this year. Solar, offshore wind, energy storage and hydrogen projects and other decentralised energy technologies were popular among all. The overall electricity sector also regained growth momentum and a variety of tenders had been introduced.

Business Review

System Integration (“SI”) Business

For the six months ended 30 June 2022, the Group recorded approximately HK\$905.7 million of revenue from SI business, contributed by customers from various sectors including marine, data centres, high-end commercial buildings and industrial zones. Most of the orders were to satisfy the demand for flexible power, reserve capacity and rental markets.

The decrease in segment revenue of 30.6% as compared to HK\$1,304.5 million of the corresponding period in 2021 was largely due to the fact that no substantial revenue from the provision of construction services was recorded during the reporting period. The revenue of providing such services is of low gross profit margin, and therefore the overall segment gross profit margin improved from 13.6% to 16.9% for the first half of the year.

In view of the increasing demand for low carbon energy solutions from governments and private enterprises, we actively expanded our customer base of biogas and waste heat-to-power systems and commenced research and development of new products during the reporting period, laying the foundation of our SI business development for the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment, Building and Operating (“IBO”) Business

While the energy market as a whole experienced elevated costs and supply chain bottlenecks in the first half of the year, the IBO business of the Group did not encounter material adverse impacts. For the six months ended 30 June 2022, the segment revenue increased 24.4% to approximately HK\$866.3 million as compared to HK\$696.5 million of the corresponding period of last year, which was mainly attributable to the increase in revenue concerning the amounts of fuel costs we expensed for the off-takers. In general cases, the off-takers of our power projects supply our operations with fuel or otherwise bear the ultimate fuel costs. As a result, we did not suffer from the rising fuel costs globally and managed to maintain our gross profit at a similar level compared to the corresponding period of last year.

To further increase the geographical diversification of our IBO business so as to mitigate the impacts from the structural change of a single market and geopolitical tensions, we decided not to renew certain projects of short contract terms in Southeast Asia, assets of which will be redeployed to the projects we won through tenders after the reporting period and anticipated new projects across different regions. The customers of these new projects include not only utilities but also oil and gas and industrial companies.

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 “**Myanmar Joint Venture Projects**”), in Myanmar.

Following the local political and social incidents in early 2021, CNTIC VPower has been confronted with multiple challenges. For the six months ended 30 June 2022, CNTIC VPower recorded a loss from its operations as a consequence of less-than-expected generation of and income from the Myanmar Joint Venture Projects. The Group therefore recorded a share of loss of approximately HK\$6.8 million. As at 30 June 2022, our total investment cost in CNTIC VPower was approximately HK\$700.4 million; its carrying value was approximately HK\$906.3 million, representing approximately 9.6% of the Group’s total assets.

(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 six months ended 30 June 2022, the Group recorded a share of loss of approximately HK\$3.0 million from the Fund. As at 30 June 2022, our total investment cost in the Fund was approximately HK\$809.8 million; and its carrying value was approximately HK\$830.0 million, representing around 8.8% of the Group’s total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Power Project Portfolio

The following table shows the details of our power projects⁽¹⁾ as at 30 June 2022:

	Our equity interest	Gross capacity (MW) ⁽²⁾	Contract length (Month) ⁽³⁾
Indonesia			
Teluk Lembu I	100%	20.3	12
Teluk Lembu II	100%	65.8	12
Rengat	100%	20.3	36
Muko	100%	6.5	24
Dumai ⁽⁴⁾	100%	18.7	180
Myanmar			
Myingyan I ⁽⁵⁾	100%	149.8	6
Myingyan II	100%	109.7	60
Yangon	100%	4.7	48
Kyun Chaung	100%	23.2	24
Brazil			
Amazonas State	100%	70.3	60–180
China			
Shandong	100%	14.4	180
United Kingdom			
Doncaster	100%	20.3	180
Other projects	100%	132.0	180
Joint venture projects			
Thaketa, Myanmar ⁽¹⁾	50%	477.1	60
Thanlyin, Myanmar ⁽¹⁾	50%	410.2	60
Kyauk Phyu III, Myanmar	50%	172.2	60
Iquitos, Peru ⁽⁶⁾	51%	79.8	240
Total		1,795.3	

MANAGEMENT DISCUSSION AND ANALYSIS

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.
- (6) It has been reclassified as a joint venture project after the deconsolidation of the project company.

Outlook

In the second half of 2022, spillovers from the prolonged geopolitical tensions and intensifying worldwide energy crisis have continued to bring uncertainties to global economic recovery. Soaring fossil fuel prices, concerns over energy security and threats to humankind from climate change accentuate the urgency for the acceleration of energy transition. Looking ahead, we will continue to uphold our commitment to energy transition, and provide the society with more safe, efficient and affordable energy by leveraging our resilience and flexibility and also the comparative advantages of decentralised energy.

Against the backdrop of dampened macroeconomic environment, it is our key short to medium-term strategy to establish a project portfolio with geographical diversity in order to balance the opportunities and risks in different markets globally. We aim to increase the overall gen-set utilisation and electricity generation through asset redeployment, and gradually push forward the development of new projects after overcoming the supply chain disruptions. At the same time, we will continue to enhance the management effectiveness and efficiency through digitalisation and organisational restructuring, and also to further strengthen cost control.

Energy transition is a global trend. Our gen-sets, having advantages including “plug and play”, high mobility and safe operation, are not only able to supply stable power independently, but also function well in combination with renewables to form a green solution of high efficiency and stability. We will dedicatedly promote the application of these integrated energy solutions and encourage our customers to decarbonise their business. On the other hand, we will continue to materialise the plan to install solar panels in our current or new projects in an effort to reduce our overall carbon emissions.

The global installed capacity of renewables such as solar and wind energy grows annually, which exacerbates the volatility of power generation. In addition to the use of our engine-based power solutions for peak-shaving, the application of energy storage systems also serves to improve power supply stability. Energy storage can be applied along the entire electricity value chain from generation, transmission and distribution, to consumption. We have developed our own energy storage systems in response to the customers’ demand for self-consumption, electricity bill management and making profits from the peak-valley tariff difference.

MANAGEMENT DISCUSSION AND ANALYSIS

To further echo with the global target of carbon neutrality and seize new business opportunities, we are actively developing fuel flexible gas gen-sets to operate on a blend of hydrogen and natural gas, with the target to introduce a solution for 100% hydrogen power generation in 2025 based on our existing 25% blend solution. Hydrogen, as a zero-emission fuel, is considered as a key element of energy transition given its potential to divert human reliance from traditional fossil fuels and compensate for the inadequacies of seasonal and intermittent renewables. Along with the increasing policy support from different countries and the emergence of more advanced hydrogen production at scalable levels, there is a huge growth potential for hydrogen generation with a total addressable market size of US\$250 billion by the end of this decade as estimated in a research report.

To conclude, we see more opportunities in favour of decentralised energy amidst the disastrous energy crisis and imminent energy transition. For the purpose of effectively capturing these opportunities and achieving sustainable development, we will continue to reinforce our group-wide risk management, and rigorously review the potential investments as well as the existing project portfolio. We also strive to conquer the challenges posed by the COVID-19 pandemic to protect the wellbeing of our people and stakeholders, and ensure uninterrupted power supply to our customers with smooth operations.

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 (including fuel cost the Group expensed for its off-takers), as well as the contract capacity we make available to the off-takers.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
SI	905,760	1,304,530
IBO	866,270	696,508
Total	1,772,030	2,001,038

In the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$1,772.0 million, representing a decrease of 11.4% as compared with approximately HK\$2,001.0 million of the corresponding period in 2021. The decrease in revenue was due to the reduced revenue from SI business segment. Please refer to the paragraph headed "Business Review".

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by geographical locations

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

	Six months ended 30 June			
	2022		2021	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Hong Kong and Mainland China	56,178	3.2	482,874	24.1
Other Asian countries ⁽¹⁾	847,945	47.8	762,697	38.1
Other countries	1,637	0.1	58,959	3.0
Total	905,760	51.1	1,304,530	65.2

Note:

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

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

	Six months ended 30 June			
	2022		2021	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Brazil ⁽¹⁾	314,322	17.8	165,462	8.3
Peru ⁽¹⁾	283,416	16.0	229,916	11.5
Myanmar	209,615	11.8	246,460	12.3
Indonesia	32,558	1.8	32,200	1.6
Mainland China	15,933	0.9	16,041	0.8
United Kingdom	10,426	0.6	—	—
Sri Lanka	—	—	6,429	0.3
Total	866,270	48.9	696,508	34.8

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

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

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

Cost of sales of the Group was approximately HK\$1,363.6 million for the six months ended 30 June 2022, representing a decrease of HK\$218.4 million as compared with approximately HK\$1,582.0 million of the corresponding period in 2021.

Gross profit and gross profit margin

	Six months ended 30 June			
	2022		2021	
	HK\$'000	gross profit margin %	HK\$'000	gross profit margin %
SI	153,435	16.9	176,878	13.6
IBO	254,998	29.4	242,151	34.8
Total	408,433	23.0	419,029	20.9

Gross profit of the Group was approximately HK\$408.4 million for the six months ended 30 June 2022, representing a slight decrease of 2.5% as compared with approximately HK\$419.0 million of the corresponding period in 2021.

Gross profit margin for the six months ended 30 June 2022 increased to 23.0% from 20.9% of the corresponding period in 2021 which was mainly attributable to the significant decrease in construction services revenue in SI business which has a low gross profit margin.

Profit before tax

Profit before tax for the six months ended 30 June 2022 was approximately HK\$90.5 million, representing a decrease of 60.3% as compared with approximately HK\$227.8 million of the corresponding period in 2021. The decrease was mainly due to the losses of the joint venture companies which contributed share of profits of approximately of HK\$112.9 million to the Group in the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

In the six months ended 30 June 2022, other income and gains of the Group amounted to approximately HK\$6.6 million, representing a decrease of 29.0% as compared with approximately HK\$9.3 million, comprising foreign exchange gain of HK\$4.6 million, of the corresponding period in 2021. The decrease was mainly attributable to no foreign exchange gain recognised during the six months ended 30 June 2022.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of costs for transportation and traveling expenses, commission expense, insurance expense, staff costs and others. The selling and distribution expenses of the Group decreased by 24.1% from approximately HK\$10.8 million for the six months ended 30 June 2021 to HK\$8.2 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in transportation expenses.

Administrative expenses

Administrative expenses primarily consist of administrative service fees, staff costs, legal and other professional fees, insurance expenses, and office and other expenses. Office and other expenses include bank charges, advertising and related promotion expenses and headquarter expenses.

In the six months ended 30 June 2022, administrative expenses of the Group were approximately HK\$165.1 million, representing a decrease of 16.7% as compared with that of HK\$198.2 million in the corresponding period in 2021. The decrease was mainly due to decrease in staff cost and depreciation charge.

Other expenses, net

Other expenses, net of the Group mainly consist of foreign exchange loss, impairment of trade receivables and loss on disposal of items of property, plant and equipment.

In the six months ended 30 June 2022, other expenses, net were approximately HK\$31.7 million, which represented an increase of 1,485.0% as compared with that of HK\$2.0 million in the corresponding period in 2021. The increase was mainly attributable to the increase in foreign exchange loss emerged from the operation in Myanmar.

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 the six months ended 30 June 2022, finance costs were approximately HK\$109.6 million, which represented an increase of 7.0% as compared with that of approximately HK\$102.4 million in the corresponding period in 2021. The increase was primarily due to the increase in average borrowing interest rate resulted from higher benchmark interest rates.

Income tax expense

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In the six months ended 30 June 2022, income tax expense was approximately HK\$16.1 million, representing a decrease of 33.7% as compared with that of approximately HK\$24.3 million in the corresponding period in 2021, and our effective tax rate was 17.8% and 10.7% for the six months ended 30 June 2022 and 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners and earnings per share

In the six months ended 30 June 2022, profit attributable to owners of the Company was approximately HK\$60.7 million, representing a decrease of approximately HK\$137.3 million or approximately 69.3% as compared with that of approximately HK\$198.0 million in the corresponding period in 2021.

Basic earnings per share for the six months ended 30 June 2022 were HK2.25 cents as compared with that of HK7.53 cents in the corresponding period in 2021.

Liquidity, financial and capital resources

As at 30 June 2022, total current assets of the Group amounted to approximately HK\$4,888.0 million (31 December 2021: HK\$4,976.9 million). In terms of financial resources as at 30 June 2022, cash and cash equivalents of the Group were approximately HK\$359.9 million (31 December 2021: HK\$462.4 million).

As at 30 June 2022, total bank and other borrowings and senior notes of the Group amounted to approximately HK\$3,214.6 million (31 December 2021: HK\$3,852.0 million), representing a decrease of approximately 16.5% as compared to that as at 31 December 2021. 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 30 June 2022, the Group's bank and other borrowings and senior notes denominated in United States dollars ("USD"), Hong Kong dollars, Brazilian Real ("BRL"), Euro, Peruvian Sol ("PEN"), Great British Pound ("GBP") and Renminbi ("RMB") were approximately HK\$2,806.5 million (31 December 2021: HK\$3,619.2 million), approximately HK\$201.6 million (31 December 2021: HK\$145.7 million), approximately HK\$153.1 million (31 December 2021: HK\$48.3 million), approximately HK\$30.4 million (31 December 2021: HK\$9.8 million), approximately HK\$9.2 million (31 December 2021: HK\$13.1 million), approximately HK\$8.6 million (31 December 2021: HK\$9.4 million) and approximately HK\$5.2 million (31 December 2021: HK\$6.5 million), respectively.

During the six months ended 30 June 2022, the Group increased the final size of a sustainability-linked syndicated term loan by HK\$140 million to US\$205 million. The newly added facility had been drawn to refinance banks loans maturing in 2022 and 2023.

The decrease in total bank and other borrowings and senior notes as well as cash and cash equivalents were mainly due to the deconsolidation of a subsidiary as a result of reclassification as interests in joint ventures in the condensed consolidated statement of financial position of the Group as at 30 June 2022.

As at 30 June 2022, the Group's current ratio was 1.1 (31 December 2021: 1.1), the liabilities to assets ratio was 62.5% (31 December 2021: 65.9%) and the net gearing ratio was approximately 80.0% (31 December 2021: 92.8%).

Charge of assets

As at 30 June 2022, certain of the Group's property, plant and equipment with a net book value of approximately HK\$28.9 million and pledged deposit of HK\$13.1 million were charged for securing the Group's interest-bearing bank and other borrowings and the equity interest of the Group in Genrent was charged for securing Genrent's senior notes. As at 31 December 2021, (i) certain of the Group's property, plant and equipment with a net book value of approximately HK\$763.3 million; (ii) the equity interest of the Group in Genrent; (iii) restricted cash of HK\$61.2 million; and (iv) pledged deposit of HK\$38.7 million were charged for securing the Group's senior notes and interest-bearing bank and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure on foreign exchange fluctuations

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

The Group is exposed to foreign exchange risk through sales and purchase that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, BRL, IDR, RMB, MMK, PEN and GBP. A majority of the Group's purchases are either in Euro or USD. During the six months ended 30 June 2022, the Group entered into currency forward contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely review the hedging policy and monitor its overall foreign exchange exposure from time to time to minimise 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 reduce the exposure of currency risks.

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

Capital expenditures

For the six months ended 30 June 2022, the Group invested approximately HK\$16.1 million (31 December 2021: HK\$107.3 million) in property, plant and equipment which were for IBO projects located in the United Kingdom and Brazil (31 December 2021: HK\$106.1 million).

Material Acquisition and Disposal

The Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the six months period ended 30 June 2022.

Employees

As at 30 June 2022, the Group had 510 employees (31 December 2021: 580). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus in cash, and through share option schemes and a share award scheme, in the form of shares, to motivate valued employees. The Group provides internal and external training (e.g. orientation training, on-the-job training, product training and site safety training) to enrich the knowledge and skills of employees.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	1,772,030	2,001,038
Cost of sales		(1,363,597)	(1,582,009)
Gross profit		408,433	419,029
Other income and gains	4	6,615	9,272
Selling and distribution expenses		(8,226)	(10,834)
Administrative expenses		(165,122)	(198,178)
Other expenses, net		(31,724)	(2,015)
Finance costs		(109,642)	(102,389)
Share of profits or losses from joint ventures		(9,827)	112,891
PROFIT BEFORE TAX	5	90,507	227,776
Income tax	6	(16,121)	(24,309)
PROFIT FOR THE PERIOD		74,386	203,467
Attributable to:			
Owners of the Company		60,650	198,017
Non-controlling interests		13,736	5,450
		74,386	203,467
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK2.25 cents	HK7.53 cents
Diluted		HK2.25 cents	HK7.53 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	74,386	203,467
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of hedging instruments arising during the period	6,518	(126)
Reclassification adjustments included in the consolidated statement of profit or loss	1,460	4,490
	7,978	4,364
Exchange differences on translation of foreign operations	(13,588)	8,190
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(5,610)	12,554
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	68,776	216,021
Attributable to:		
Owners of the Company	55,040	210,571
Non-controlling interests	13,736	5,450
	68,776	216,021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,472,943	3,295,925
Right-of-use assets		99,286	116,611
Goodwill		1,460	81,489
Other intangible assets		40,046	89,317
Interests in joint ventures	10	1,888,503	1,746,121
Deposits and other receivables		38,156	40,542
Deferred tax assets		2,541	2,434
Total non-current assets		4,542,935	5,372,439
CURRENT ASSETS			
Inventories		1,234,182	1,262,964
Trade and bills receivables	11	2,760,510	2,677,289
Prepayments, deposits, other receivables and other assets		504,491	458,416
Derivative financial instruments		6,607	—
Tax recoverable		974	6,027
Restricted cash		8,201	71,098
Pledged deposits		13,063	38,725
Cash and cash equivalents		359,926	462,359
Total current assets		4,887,954	4,976,878
CURRENT LIABILITIES			
Trade and bills payables	12	1,964,007	2,118,265
Other payables and accruals		326,436	377,251
Contract liabilities		163,150	115,082
Derivative financial instruments		5,731	1,999
Senior notes	13	—	24,299
Interest-bearing bank and other borrowings	14	2,008,954	1,831,703
Lease liabilities		14,498	17,133
Tax payable		14,501	17,782
Provision for restoration		5,072	5,681
Total current liabilities		4,502,349	4,509,195
NET CURRENT ASSETS		385,605	467,683
TOTAL ASSETS LESS CURRENT LIABILITIES		4,928,540	5,840,122

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payables		80,779	148,863
Senior notes	13	—	721,223
Interest-bearing bank and other borrowings	14	1,205,631	1,274,791
Lease liabilities		86,903	100,574
Provision for restoration		2,685	20,689
Deferred tax liabilities		11,861	41,535
Total non-current liabilities		1,387,859	2,307,675
Net assets		3,540,681	3,532,447
EQUITY			
Equity attributable to owners of the Company			
Share capital		270,169	270,169
Reserves		3,261,136	3,205,296
Non-controlling interests		3,531,305	3,475,465
		9,376	56,982
Total equity		3,540,681	3,532,447

Lam Yee Chun
Director

Lee Chong Man Jason
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company														Non-controlling interest	Total equity
	Note	Share capital	Share premium account	Merger reserve	Capital reserve	Share option reserve	Shares held under the share award scheme	Asset revaluation reserve	Cash flow hedge reserve	Statutory reserve funds	Exchange fluctuation reserve	Retained profits	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 period		–	–	–	–	–	–	–	–	–	–	198,017	198,017	5,450	203,467	
Other comprehensive income/(loss) for the period:																
Cash flow hedges:																
Changes in fair value of hedging instruments arising during the period		–	–	–	–	–	–	–	(126)	–	–	–	(126)	–	(126)	
Reclassification adjustments included in the consolidated statement of profit or loss		–	–	–	–	–	–	–	4,490	–	–	–	4,490	–	4,490	
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	8,190	–	8,190	–	8,190	
Total comprehensive income for the period		–	–	–	–	–	–	–	4,364	–	8,190	198,017	210,571	5,450	216,021	
2020 final dividend	7	–	–	–	–	–	–	–	–	–	–	(91,319)	(91,319)	–	(91,319)	
Equity-settled share-based payment arrangement		–	–	–	–	–	36,678	–	–	–	–	(19,578)	17,100	–	17,100	
At 30 June 2021 (Unaudited)		264,692	1,802,479	(15,458)	146,985	3,208	(35,890)	17,062	(4,832)	32,205	(82,493)	1,443,950	3,571,908	51,382	3,623,290	
At 1 January 2022		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	
Profit for the period		–	–	–	–	–	–	–	–	–	–	60,650	60,650	13,736	74,386	
Other comprehensive income/(loss) for the period:																
Cash flow hedges:																
Changes in fair value of hedging instruments arising during the period		–	–	–	–	–	–	–	6,518	–	–	–	6,518	–	6,518	
Reclassification adjustments included in the consolidated statement of profit or loss		–	–	–	–	–	–	–	1,460	–	–	–	1,460	–	1,460	
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(13,588)	–	(13,588)	–	(13,588)	
Total comprehensive income for the period		–	–	–	–	–	–	–	7,978	–	(13,588)	60,650	55,040	13,736	68,776	
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(344)	–	–	–	–	–	344	–	–	–	
Equity-settled share-based payment arrangement		–	–	–	–	–	3,480	–	–	–	–	(2,680)	800	–	800	
Deconsolidation of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(61,342)	(61,342)	
At 30 June 2022 (Unaudited)		270,169	1,892,072*	(15,458)*	146,985*	1,528*	(32,410)*	17,062*	6,607*	35,198*	(118,953)*	1,328,505*	3,531,305	9,376	3,540,681	

* These reserve accounts comprise the consolidated reserves of HK\$3,261,136,000 (31 December 2021: HK\$3,205,296,000) in the consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities	20,528	(804,871)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(59,703)	(219,107)
Decrease/(increase) in deposits paid for purchases of property, plant and equipment	12	(567)
Decrease in pledged deposits	24,679	14,268
Deconsolidation of a subsidiary	(64,370)	—
Proceeds from disposal of items of property, plant and equipment	392	85,971
Others	2,368	21,281
Net cash flows used in investing activities	(96,622)	(98,154)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	1,637,717	2,402,687
Repayment of bank borrowings	(1,563,669)	(1,757,810)
Others	(92,933)	(58,176)
Net cash flows from/(used in) financing activities	(18,885)	586,701
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	452,930	978,182
Effect of foreign exchange rate changes, net	(6,632)	(5,864)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	351,319	655,994
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	359,926	655,994
Bank overdraft	(8,607)	—
	351,319	655,994

NOTES TO FINANCIAL STATEMENTS

30 June 2022

1. Corporate and Group Information

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Units 2701–05, 27/F, Office Tower 1, The Harbourfront, 18–22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

During the six months ended 30 June 2022, the Group was principally engaged in the design, integration, sale and installation of engine-based electricity generation units and the provision of distributed power solutions, including the design 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.

2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3

Amendments to HKAS 16

Amendments to HKAS 37

Annual Improvements to HKFRSs 2018–2020

Reference to the Conceptual Framework

Properly, Plant and Equipment: Proceeds before Intended Use

Onerous Contracts — Cost of Fulfilling a Contract

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2. Basis of Preparation (Continued)

Changes in Accounting Policies and Disclosures (Continued)

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

- (a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2. Basis of Preparation (Continued)

Changes in Accounting Policies and Disclosures (Continued)

- (d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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.

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the system integration ("SI") segment designs, integrates, sells and installs engine-based electricity generation units; and
- (b) the investment, building and operating ("IBO") segment designs, invests in, builds and operates distributed power generation stations to provide distributed power solutions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/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 gain/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, derivative financial instruments, tax recoverable, restricted cash, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. Operating Segment Information (Continued)

For the six months ended 30 June 2022 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	905,760	866,270	1,772,030
Intersegment sales	2,491	—	2,491
	908,251	866,270	1,774,521
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,491)
Revenue			1,772,030
Segment results	125,045	114,374	239,419
<i>Reconciliation:</i>			
Elimination of intersegment results			(169)
Bank interest income			1,328
Corporate and unallocated expenses, net			(42,357)
Finance costs (other than interest on lease liabilities)			(107,714)
Profit before tax			90,507
Segment assets	3,805,020	4,355,261	8,160,281
<i>Reconciliation:</i>			
Corporate and unallocated assets			1,270,608
Total assets			9,430,889
Segment liabilities	2,157,432	479,926	2,637,358
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			3,252,850
Total liabilities			5,890,208
Other segment information:			
Gain on disposal of items of property plant and equipment, net	(38)	(342)	(380)
Depreciation of property, plant and equipment*	1,499	137,003	138,502
Depreciation of right-of-use assets	6,193	2,396	8,589
Amortisation of intangible assets	—	1,439	1,439
Capital expenditure	12	16,122	16,134

* Depreciation excludes depreciation charges of HK\$538,000 for corporate assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. Operating Segment Information (Continued)

For the six months ended 30 June 2021 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,304,530	696,508	2,001,038
Intersegment sales	386,885	—	386,885
	1,691,415	696,508	2,387,923
<i>Reconciliation:</i>			
Elimination of intersegment sales			(386,885)
Revenue			2,001,038
Segment results			
	158,966	240,080	399,046
<i>Reconciliation:</i>			
Elimination of intersegment results			(8,161)
Bank interest income			1,157
Corporate and unallocated expenses, net			(61,877)
Finance costs			(102,389)
Profit before tax			227,776
Other segment information:			
Loss on disposal of items of property plant and equipment, net	474	1,192	1,666
Depreciation of property, plant and equipment*	2,656	152,680	155,336
Depreciation of right-of-use assets	6,856	2,003	8,859
Amortisation of intangible assets	—	1,439	1,439
Capital expenditure	751	72,973	73,724
Year ended 31 December 2021 (audited)			
Segment assets	3,664,694	5,221,009	8,885,703
<i>Reconciliation:</i>			
Corporate and unallocated assets			1,463,614
Total assets			10,349,317
Segment liabilities	2,307,248	585,102	2,892,350
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			3,924,520
Total liabilities			6,816,870

* Depreciation excludes depreciation charges of HK\$538,000 for corporate assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Hong Kong and Mainland China	72,111	498,915
Other Asian countries	1,090,118	1,047,786
Latin America	597,738	395,378
Other countries	12,063	58,959
	1,772,030	2,001,038

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

(b) Non-current assets

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
	Hong Kong and Mainland China	2,017,337
Other Asian countries	1,965,943	2,064,388
Latin America	304,664	1,149,010
Other countries	250,328	264,243
	4,538,272	5,367,883

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. Revenue, Other Income and Gains, net

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2022 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Type of goods or services			
Sale of engine-based electricity generation units	876,427	—	876,427
Construction services	18,324	—	18,324
Provision of technical services	11,009	—	11,009
Provision of distributed power solutions	—	866,270	866,270
Total revenue from contracts with customers	905,760	866,270	1,772,030

Timing of revenue recognition

Goods transferred at a point in time	876,427	—	876,427
Services transferred over time	29,333	866,270	895,603
Total revenue from contracts with customers	905,760	866,270	1,772,030

For the six months ended 30 June 2021 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Type of goods or services			
Sale of engine-based electricity generation units	909,392	—	909,392
Construction services	374,995	—	374,995
Provision of technical services	20,143	—	20,143
Provision of distributed power solutions	—	696,508	696,508
Total revenue from contracts with customers	1,304,530	696,508	2,001,038

Timing of revenue recognition

Goods transferred at a point in time	909,392	—	909,392
Services transferred over time	395,138	696,508	1,091,646
Total revenue from contracts with customers	1,304,530	696,508	2,001,038

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. 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:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of engine-based electricity generation units	30,378	45,753
Construction services	—	706,469
	30,378	752,222

(ii) Performance obligations

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

Sale of engine-based electricity generation units

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

Construction services

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

Provision of distributed power solutions

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

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.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. Revenue, Other Income and Gains, net (Continued)

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Bank interest income	1,328	1,157
Government grants*	636	1,423
Gain on disposal of items of property, plant and equipment, net	380	—
Foreign exchange difference, net	—	4,551
Others	4,271	2,141
	6,615	9,272

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

5. Profit Before Tax

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment*	139,040	155,874
Depreciation of right-of-use assets	8,589	8,859
Amortisation of intangible assets	1,439	1,439
Fair value loss on derivative financial instruments [#]	5,162	349
Foreign exchange difference, net	23,401 [#]	(4,551)
Impairment of trade receivables, net [#]	3,035	—
Loss/(gain) on disposal of items of property, plant and equipment, net	(380)	1,666 [#]
Equity-settled share-based payment expense	800	17,100

* The cost of sales for the period included depreciation charges of HK\$98,980,000 (six months ended 30 June 2021: HK\$105,715,000).

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rate regime. The first HK\$2,000,000 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 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.

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	7,238	8,066
Current — Elsewhere		
Charge for the period	10,280	15,756
Overprovision in prior periods	(749)	(1,786)
Deferred	(648)	2,273
Total tax charge for the period	16,121	24,309

NOTES TO FINANCIAL STATEMENTS

30 June 2022

7. Dividends

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2021:		
Nil (year ended 31 December 2020: HK3.45 cents (with a scrip dividend alternative) per ordinary share)	—	91,319
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2022:		
Nil (six months ended 30 June 2021: HK0.75 cent (with a scrip dividend alternative) per ordinary share)	—	20,185

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022. The interim dividend of HK0.75 cent (with a scrip dividend alternative) per ordinary share in respect of the six months ended 30 June 2021 was approved by the board of directors of the Company on 27 August 2021.

The board of directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 December 2021. The final dividend of HK3.45 cents (with a scrip dividend alternative) per ordinary share in respect of year ended 31 December 2020 was approved by the Company's shareholders at the annual general meeting held on 11 June 2021.

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$60,650,000 (six months ended 30 June 2021: HK\$198,017,000) and the weighted average number of ordinary shares of 2,692,425,000 (six months ended 30 June 2021: 2,630,888,000 (restated)) in issue during the period, 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 six months ended 30 June 2022 and 2021 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 six months ended 30 June 2022 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Company (Continued)

The calculation of the diluted earnings per share amount for the six months ended 30 June 2021 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$198,017,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,630,888,000 (restated) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 71,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

9. Property, Plant and Equipment

During the reporting period, the Group acquired property, plant and equipment of HK\$16,134,000 (six months ended 30 June 2021: HK\$73,724,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2020: Nil).

As described in note 10 to the condensed consolidated financial statements, the Group derecognised the property, plant and equipment with net carrying amount of HK\$711,634,000 during the six months ended 30 June 2022.

10. Interests in Joint Ventures

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Share of net assets	1,888,503	1,746,121

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 30 June 2022, the Group invested approximately HK\$809,807,000 (31 December 2021: HK\$809,807,000) 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 30 June 2022, the Group invested approximately HK\$700,444,000 (31 December 2021: HK\$700,444,000) in CNTIC VPower.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

10. Interests in Joint Ventures (Continued)

In June 2022, the shareholders' agreement of Genrent del Peru S.A.C. ("**Genrent**"), a 51%-owned subsidiary of the Company which is engaged in the provision of distributed power solution in Peru, was amended such that (i) the composition of the board of directors of Genrent is shared equally between the Group and shareholders holding an aggregate of 49% capital stock of Genrent; and (ii) the shareholders' resolutions of Genrent which requires consent of shareholders holding not less than two-thirds of the capital stock of Genrent. After the amendment of the shareholders' agreement, the Group ceased to control Genrent and Genrent became a joint venture of the Group. Accordingly, the Group derecognised the assets and liabilities of Genrent and recognised its 51% equity interests in Genrent as interests in a joint venture.

11. Trade and Bills Receivables

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	2,801,892	2,715,120
Bills receivables	1,350	1,869
Impairment	(42,732)	(39,700)
	2,760,510	2,677,289

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 the 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\$1,715,493,000 (31 December 2021: HK\$1,721,994,000), which are repayable within 360 days (31 December 2021: 360 days).

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 90 days	746,773	2,152,870
91 to 180 days	7,646	84,336
181 to 360 days	1,737,928	214,339
Over 360 days	268,163	225,744
	2,760,510	2,677,289

NOTES TO FINANCIAL STATEMENTS

30 June 2022

12. Trade and Bills Payables

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:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 90 days	151,992	1,893,810
91 to 180 days	228,954	96,251
181 to 360 days	1,554,390	112,710
Over 360 days	28,671	15,494
	1,964,007	2,118,265

Included in the Group's trade payables are amounts due to subsidiaries of a joint venture of HK\$199,412,000 (31 December 2021: HK\$198,941,000), which are repayable up to 2022. Other trade and bills payables are non-interest-bearing and are normally settled on terms ranging from 30 to 360 days.

13. Senior Notes

In February 2018, a subsidiary of the Company, Genrent, 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) as at 31 December 2021.

As described in note 10 to the condensed consolidated financial statements, the Group derecognised the senior notes during the six months ended 30 June 2022.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

14. Interest-Bearing Bank and Other Borrowings

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current		
Bank overdraft — unsecured	8,607	9,429
Portions of bank loans due for repayment within one year or on demand — unsecured	1,937,172	1,759,099
Other borrowings — secured	63,175	63,175
	2,008,954	1,831,703
Non-current		
Portions of bank loans due for repayment after one year — unsecured	1,205,631	1,274,791
	1,205,631	1,274,791
	3,214,585	3,106,494

15. 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**”) on 24 October 2016 for the purpose of providing incentives and rewards to eligible participants, comprising directors, employees, advisers, consultants and business partners of the Group, for their contribution and aligning the corporate objectives and interests between the Group and its talents. The Schemes became effective on the adoption date and, unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 24 October 2016.

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

15. Share Option Schemes (Continued)

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

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Weighted average exercise price per share HK\$	Number of shares of the Company issuable under the outstanding options '000	Weighted average exercise price per share HK\$	Number of shares of the Company issuable under the outstanding options '000
At beginning of the period/year	2.016	1,414	2.016	2,462
Forfeited during the period/year	2.016	(259)	2.016	(1,048)
At end of the period/year	2.016	1,155	2.016	1,414

No share option was exercised during the six months ended 30 June 2022 and during the year ended 31 December 2021.

As at 30 June 2022, the Company had outstanding options to subscribe for 1,155,000 (31 December 2021: 1,414,000) ordinary shares of the Company under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,155,000 (31 December 2021: 1,414,000) additional ordinary shares of the Company and additional share capital of HK\$116,000 (31 December 2021: HK\$141,000) and share premium of HK\$2,213,000 (31 December 2021: HK\$2,709,000) (before issue expenses).

16. Share Award Scheme

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

16. Share Award Scheme (Continued)

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

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

During the six months ended 30 June 2022 and during the year ended 31 December 2021, the Group had not purchased any shares of the Company through the Trustee from the Company or open market.

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

	Number of ordinary shares	Shares held under the Share Award Scheme HK\$'000
At 1 January 2021	18,796,000	72,568
Shares awarded	(9,500,000)	(36,678)
Allotment of shares as scrip dividend	191,000	—
At 31 December 2021 and 1 January 2022	9,487,000	35,890
Share awarded	(920,000)	(3,480)
At 30 June 2022	8,567,000	32,410

During the six months ended 30 June 2022, the Company awarded 920,000 (for the year ended 31 December 2021: 9,500,000) shares to the eligible participants under the Share Award Scheme.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

17. Commitments

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Power generation assets	298,155	300,245
Capital contribution to the Fund	9,193	9,193

18. Related Party Transactions

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

	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
A related company:		
Lease expense*	773	802
Subsidiaries of joint ventures:		
Provision of technical services	11,009	20,143
Sales of goods	27,144	59,159
Provision of construction services	—	748,800
Interest expense [#]	1,496	949

* Lease expense to Orient Profit Investment Limited comprised of depreciation charge of right-of-use assets and interest on lease liabilities amounting to HK\$749,000 (six month ended 30 June 2021: HK\$749,000) and HK\$24,000 (six month ended 30 June 2021: HK\$53,000), respectively. The related company is controlled by a controlling shareholder of the Company. The right-of-use assets and lease liabilities as at 30 June 2022 were HK\$749,000 (31 December 2021: 1,498,000) and HK\$901,000 (31 December 2021: 1,657,000), respectively.

[#] Interest expense was related to the inventories purchased and loan advanced.

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

NOTES TO FINANCIAL STATEMENTS

30 June 2022

18. Related Party Transactions (Continued)

(b) Commitments with related companies

On 1 January 2021, a subsidiary of the Company entered into a tenancy agreement with Orient Profit Investment Limited to rent a residential property in Hong Kong at a monthly rental 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 is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefits	8,644	14,419
Post-employment benefits	63	81
Equity-settled share-based payment expense	800	6,354
Total compensation paid to key management personnel	9,507	20,854

19. Events After the Reporting Period

There has been no significant event since the end of the reporting period and up to the date of this report.

20. Approval of the Financial Statements

These financial statements were approved and authorised for issue by the board of directors on 25 August 2022.

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: HK0.75 cent per share).

Corporate Governance

During the six months ended 30 June 2022, the Company had complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for the following deviation:

Code Provision C.2.1 in Part 2 of the Corporate Governance Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam Yee Chun (“**Mr. Lam**”) is currently the Executive Chairman of the Company and a Co-Chief Executive Officer (i.e. chief executive) of the Group. 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. Besides, the existing composition of the management team and Mr. Lee Chong Man Jason’s role as the other Co-Chief Executive Officer enables the Group to achieve a balance of power and authority for Mr. Lam taking up the dual roles in the Group. The Company will review 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 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 the Directors during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Review of Accounts

The audit committee of the Company has reviewed, among other things, the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters and the unaudited interim financial statements of the Group for the six months ended 30 June 2022.

OTHER INFORMATION

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

As at 30 June 2022, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to 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:

- All the above interests in the shares and underlying shares of the Company were long positions. None of the Directors and the chief executives of the Company held any short positions in the shares or underlying shares of the Company as at 30 June 2022.
- Based on 2,701,693,013 shares of the Company in issue as at 30 June 2022.
- 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 908,000 shares in the Company in which his spouse has interest.
- Ms. Chan is the spouse of Mr. Lam. Under Divisions 2 and 3 of Part XV of the SFO, Ms. Chan is deemed to have interest in the 1,886,051,000 shares in the Company in which her spouse has interest.
- 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.

OTHER INFORMATION

(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 30 June 2022, 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 of HK\$2.016 is equivalent to 70% of the offer price per share in the global offering of the Company in November 2016.

OTHER INFORMATION

As at 30 June 2022, the Company had outstanding options to subscribe for 1,155,000 shares of the Company under the Pre-IPO Share Option Scheme, representing approximately 0.04% of the issued share capital of the Company as at 30 June 2022.

Details of the movements in the share options, which were granted under the Pre-IPO Share Option Scheme, during the six months ended 30 June 2022 (the “Period”) are as follows:

Grantee	Date of grant (dd.mm.yyyy)	Exercise price per share HK\$	Number of underlying shares issuable under the outstanding options				Vesting/ Exercise period (dd.mm.yyyy)
			Outstanding as at 01.01.2022	Cancelled or lapsed during the Period	Exercised during the Period	Outstanding as at 30.06.2022	
Directors							
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	24.11.2019–23.11.2022
Sub-total			261,000*	—	—	261,000	
Consultants	01.11.2016	2.016	170,000*	(131,000)	—	39,000	24.11.2019–23.11.2022
Employees	01.11.2016	2.016	983,000	(128,000)	—	855,000	24.11.2019–23.11.2022
Sub-total			1,153,000	(259,000)	—	894,000	
Grand-total			1,414,000	(259,000)	—	1,155,000	

* 131,000 share options previously granted to a former director which remained outstanding as at 1 January 2022 are re-classified from “Directors” to “Consultants” due to the change of position of this former director in the Group.

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, the total number of shares of the Company (the “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 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.

OTHER INFORMATION

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 30 June 2022, no option had yet been granted by the Board under the Share Option Scheme since its adoption.

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 (the "**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 from 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 six months ended 30 June 2022, the Board had granted 920,000 Awarded Shares, representing approximately 0.03% of the issued share capital of the Company as at 30 June 2022, to selected eligible person(s) under the Share Award Scheme.

OTHER INFORMATION

Substantial Shareholders' and Other Person's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, 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:

- All the above interests in the shares and underlying shares of the Company were long positions.
- Based on 2,701,693,013 Shares in issue as at 30 June 2022.
- 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.
- 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.
- 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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

Sufficiency of Public Float

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

Deed of Non-Competition

On 24 October 2016, a deed of non-competition 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 Shareholder(s)**”), Sharkteeth Investments Limited and the Company in favour 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 endeavours 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;

OTHER INFORMATION

- (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 (the "**Forgone Business Opportunity**").

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

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

Pursuant to rule 13.51B(1) of the Listing Rules, change in the information of the Directors required to be disclosed in this report pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the publication of the Company's 2021 annual report is as follows:

In July 2022, the Group effected an organisational restructure with title change of personnel under which Mr. LO Siu Yuen's title has been changed from the Chief Operation Officer to an Executive Vice-President, and his major responsibilities in the Group remain unchanged.

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

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

Registered Office

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

CORPORATE INFORMATION

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Agent

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

Branch Share Registrar

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

Company Website

www.vpower.com

Stock Code

1608