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

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

Stock Code: 1608

ANNUAL REPORT 2023


POWER GROUP

CONTENTS

INTRODUCTION

Company Profile 02
Chairman's Statement 04

MANAGEMENT

Management Discussion and Analysis 08
Directors and Senior Management 17
Corporate Governance Report 23
Directors' Report 39
Risk Management 53

FINANCIALS

Independent Auditor's Report 57
Consolidated Statement of Profit or Loss 63
Consolidated Statement of Comprehensive Income 64
Consolidated Statement of Financial Position 65
Consolidated Statement of Changes in Equity 67
Consolidated Statement of Cash Flows 68
Notes to Financial Statements 70
Five Year Financial Summary 162

CONTACTS

Corporate Information 164

COMPANY PROFILE

VPower Group International Holdings Limited (the "Company", "VPower Group", 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 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 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, reliable and affordable 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 to keep pace with the global energy transition.

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 systems. 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 together with our integration capabilities and extensive global business network developed over the past 20 years to expansion into new markets, and continue to deliver efficient solutions and create sustainable value for all stakeholders.

We power the world, and light up possibilities.

We are committed to providing **reliable** and **flexible power** to customers across the world.

We are united by

common values and **missions**.

CHAIRMAN'S STATEMENT

Being a state-controlled listed company, VPower Group is set to implement a management model and business development of higher quality based on "three insistences": insistence on improving the governance structure and regulatory standards; insistence on focusing on the primary responsibilities and main businesses to achieve corporate endogenous growth; and insistence on creating value and rewarding stakeholders.

Dr. Kang Hubiao
Chairman

Dear Shareholders:

On 26 September 2023, VPower Group completed the allotment of new shares to China National Technical Import and Export Corporation ("**CNTIC**") which has become the controlling shareholder of VPower Group since then. As nominated by the controlling shareholder and approved by the board of directors of VPower Group (the "**Board**"), I have become an executive director and the chairman of the Board of VPower Group since 5 December 2023. On behalf of the Board, I hereby present the operating performance of VPower Group for the year ended 31 December 2023.

2023 is a year full of hardships and challenges for VPower Group. The difficulties in the external economic environment, rising financing costs and the continued impact of regional political conflicts hit the Group's full-year performance with the revenue falling 55.4% to HK$1,497.6 million and the loss attributable to shareholders enlarging by 800.6% to HK$2,854.0 million. In particular, the Group's extensive business presence in Myanmar in the past was the main reason for the unsatisfactory financial performance of 2023, which directly resulted in a decrease in the Group's revenue, an increase in impairment of trade receivables, and an increase in the loss shared from a joint venture. Despite facing severe challenges, all employees of the Group have always adhered to their positions and continued to ensure power supply to customers.

Following the change of control, VPower Group has become a state-controlled listed company and is set to implement a management model and business development of higher quality based on "three insistences".

Insistence on improving the governance structure and regulatory standards

VPower Group will continue to strictly comply with all applicable laws and regulations and requirements imposed by regulatory authorities, and benchmark with the standards of top-tier modern enterprises and industry best practices to achieve continual improvement in its governance structure and systems. The Group will fully implement the Company's articles of association, the meeting system for the shareholders, the Board and the management, and the authorisation policy of the Board, to ensure that a functional, coordinated and scientific decision-making governance structure with well-defined duties and responsibilities between the decision-making body and the management is properly established. The Group will also continue to strengthen the inside information management, improve operational transparency, and improve commercial information confidentiality management to effectively regulate significant issues and daily operations.

Insistence on focusing on the primary responsibilities and main businesses to achieve corporate endogenous growth

VPower Group is one of the industry leaders with rich experiences and strategic presence in various energy markets. The controlling shareholder and its group companies have penetrated in the international market for many years with deep involvement in the development along the Belt and Road Initiative. They have undertaken a number of major engineering projects and have built a strong brand recognition and reputation overseas. With the strong support of the controlling shareholder, VPower Group will fully utilise its technical advantages to accelerate industrial transformation and upgrading, and strengthen the business collaboration with the controlling shareholder. The synergies have been gradually materialised. During the year, the Group constantly scaled down its business in Myanmar by closing several power stations upon the fulfilment of its contractual obligations, and formulated a deployment plan for the relevant power generation assets to restart the engines of business development. VPower Group has been progressively implementing new projects, exploring new markets leveraging on the rich resources of the controlling shareholder and its group companies, and optimising its business footprint to gradually restore the momentum of corporate endogenous growth.

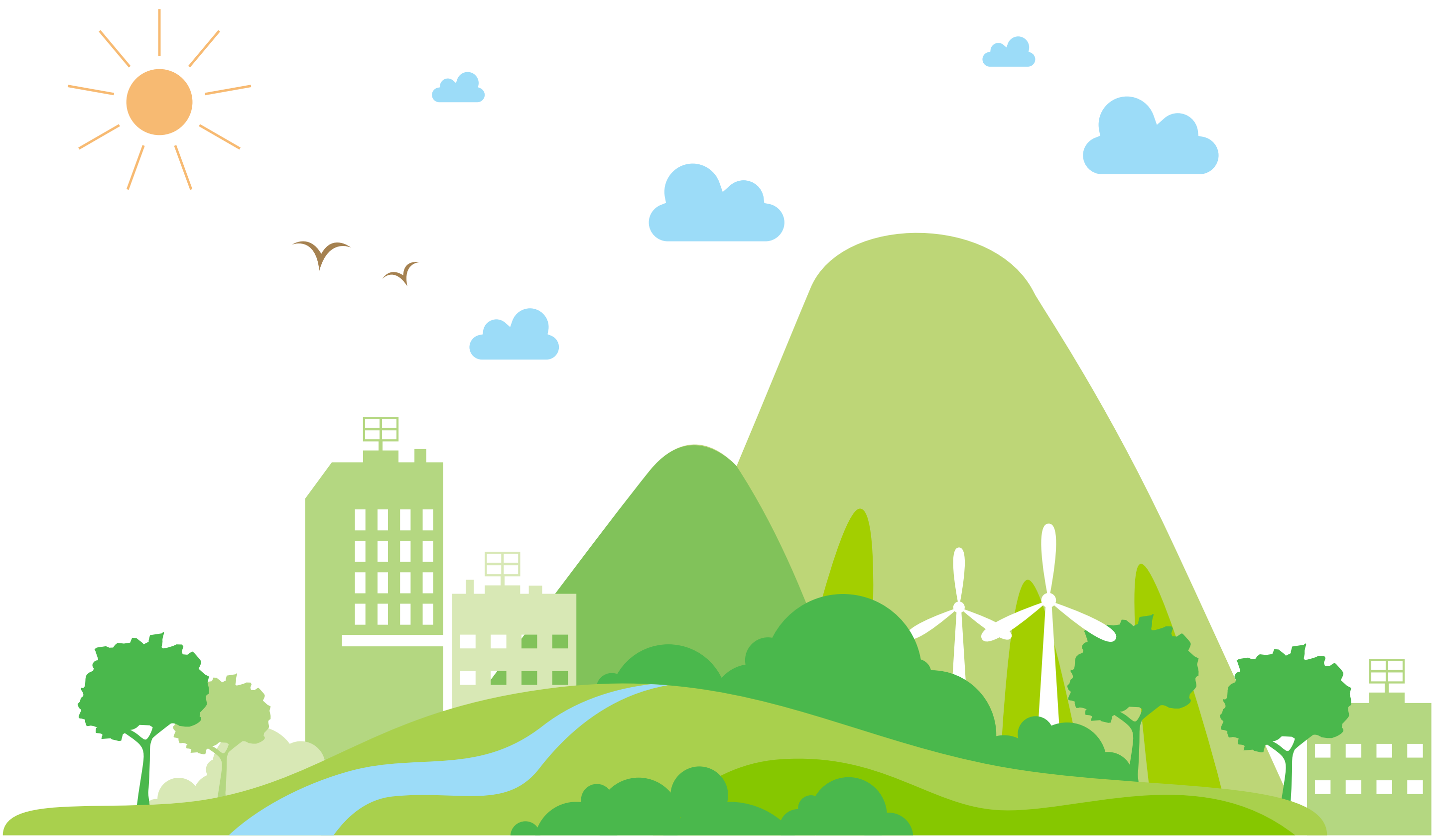
Insistence on creating value and giving back to stakeholders

VPower Group has been committed to serving regions with insufficient power resources and markets demanding stable and reliable power supply, leveraging the fast-track and flexible characteristics of distributed energy. The Group will continue to diligently make greater contribution to promoting high-quality economic development and building a green, low-carbon circular economic system with a focus on serving the international power market. The orderly development of VPower Group is inseparable from the support of its business partners, banks and investors. With the short-term goal of rebuilding the Group's restoration function and the long-term goal of achieving sustainable development, the Group will continue to safeguard the rights and interests of all stakeholders and all shareholders in accordance with the law, unleashing corporate value and rewarding the support and trust of all parties.

Long as the journey is, we will reach our destination if we stay the course; difficult as the task is, we will get the job done if we keep working on it. Under the leadership of the new Board and with the efforts of the management and all employees and the support of all parties of the community, VPower Group will overcome all challenges with conviction, determination and perseverance to regain brilliance and create greater value for shareholders and society.

Kang Hubiao
Chairman

29 April 2024



MARKET OVERVIEW

Market Review

Entering the post-pandemic era in 2023, the macroeconomic was rather pessimistic with stubborn inflation, higher borrowing costs and elevated debt levels, prolonging the difficult time for businesses.

Some immediate pressures from the global energy crisis were eased through the concerted efforts and active response of countries, but the energy markets remained fragile as the geopolitics and the global economy continued to be unsettling. As a result of the weakened economic activities in several countries, the growth of global oil demand slowed down with huge fluctuation in international crude oil prices. Meanwhile, the natural gas prices fell from their highs in 2022, driving global natural gas consumption to rise. The energy crisis continued to stimulate the development of renewable energy. According to statistics, more than 500GW of renewable capacity was added in 2023.

The global electricity demand grew moderately with China, India and several Southeast Asian countries having a strong growth as supported by their local economic development. However, the frequent occurrence of various extreme weather events led to an increased number of power outage across the world with extensive influences. On the other side, the impact of weather on power systems became increasingly prominent. The global generation of hydropower, for example, reduced due to weather impacts such as droughts and below average rainfall, pushing the hydropower-reliant countries to increase the use of fossil fuels and arousing public concern over stability of electricity supply.

Business Review

2023 was a critical year of adjustment and consolidation to the Group. In the face of the challenging business environment, the Group anchored itself to achieve the objectives of integrating internal and external resources, reinforcing corporate resilience and accelerate business vitalisation. Overwhelmed by the actual impact brought by the geopolitical changes which had not been fully absorbed and the persistently increasing financing costs, the Group recorded unsatisfactory full-year financial performance with the total revenue decreasing 55.4% year-on-year to approximately HK$1,497.6 million.

System Integration (SI) Business

The Group recorded approximately HK$675.3 million of revenue from SI business for the year ended 31 December 2023 (2022: 1,945.4 million), representing a year-on-year decrease of 65.3% and resulting in a gross loss of approximately HK$50.6 million (2022: gross profit of HK$284.5 million). The decrease in revenue was mainly due to the decrease in sales of engine-based generating units to one of the major customers in Asia.

Investment, Building and Operating ("IBO") Business

The revenue and gross profit of the Group's IBO business for the year ended 31 December 2023 were approximately HK$822.3 million (2022: HK$1,415.9 million) and approximately HK$96.7 million (2022: HK$ 377.4 million) respectively, representing a respective year-on-year decrease of 41.9% and 74.4%. The decreases in revenue and gross profit of IBO business were mainly attributable to the ongoing curtailment of business presence in Myanmar resulting in a decrease in electricity generation, the deconsolidation of the financial performance of the project in Peru since mid 2022, and also the reduction in electricity generation of the project in the United Kingdom.

As at 31 December 2023, the Group had wholly owned projects in Brazil, Indonesia, Myanmar, China and the United Kingdom with generation capacity of 70.3MW, 218.1MW, 109.7MW, 14.4MW and 20.3MW respectively; and a joint venture project in Peru with generation capacity of 79.8MW. Seeing the higher load factor of the Brazilian projects and the local government's support of renewables, the Group commenced feasibility study with a local partner on adding electricity capacity of projects with solar panels. In Indonesia, the Group entered into agreements for new projects with 130.8MW capacity which were under construction.

At the time of scaling down the business in Myanmar, the Group also actively formulated plans for the asset portfolio adjustment and geographical distribution. With a goal to drive profits, the Group pursued business opportunities in Middle Asian region and Southeast Asian countries leveraging the strong resources and business network of the controlling shareholder and its parent company with new projects secured.

Significant Investments

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

CNTIC VPower owns three power projects, namely the Thaketa, Thanlyin and Kyauk Phyu III projects in Myanmar. Since the changes in overall political, economic, and social environment in Myanmar in the beginning of 2021, CNTIC VPower has faced with resistantly immense operating challenges. As all of its projects were put on a halt pending for operation resumption, CNTIC VPower recorded a significant loss in 2023, dragging down the Group's investment in CNTIC VPower at a cost of HK$700.4 million to zero carrying value.

Nevertheless, the management of the Group and CNTIC VPower remained active in negotiating with relevant parties in reaching a feasible solution and formulating redeployment plans in order to restore the profitability of CNTIC VPower.

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

The Group has 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 since 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. As at 31 December 2023, the Group's total investment cost in the Fund was approximately HK$819.0 million; and its carrying value was approximately HK$804.9 million, representing around 12.9% of the Group's total assets.

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.

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
SI	**675,322**	1,945,437
IBO	**822,321**	1,415,888
Total	**1,497,643**	3,361,325

In 2023, the Group recorded a revenue of approximately HK$1,497.6 million, representing a decrease of 55.4% as compared with approximately HK$3,361.3 million of the previous year. Please refer to the paragraph headed "Business Review" for the reasons of the decrease in revenue.

Revenue by geographical locations

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

	Year ended 31 December			
	2023		2022	
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Hong Kong, Macau and Chinese Mainland	**166,653**	**11.1**	174,127	5.2
Other Asian countries[1]	**473,189**	**31.6**	1,724,137	51.3
Other countries	**35,480**	**2.4**	47,173	1.4
Total	**675,322**	**45.1**	1,945,437	57.9

Note:

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

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

	Year ended 31 December			
	2023		2022	
	HK$'000	% of total revenue	HK$'000	% of total revenue
Brazil[1]	**692,104**	**46.2**	691,398	20.5
Myanmar	**78,196**	**5.2**	328,765	9.8
Chinese Mainland	**27,849**	**1.9**	27,168	0.8
Indonesia	**19,872**	**1.3**	42,647	1.3
United Kingdom	**4,300**	**0.3**	42,494	1.3
Peru[1]	**—**	**—**	283,416	8.4
Total	**822,321**	**54.9**	1,415,888	42.1

Note:

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

Cost of sales

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

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

For the years ended 31 December 2023 and 2022, our costs of sales were approximately HK$1,451.5 million and approximately HK$2,699.4 million, respectively.

Gross profit and gross profit margin

	Year ended 31 December			
	2023		2022	
	HK$'000	gross profit margin %	HK$'000	gross profit margin %
SI	(50,563)	(7.5)	284,499	14.6
IBO	96,721	11.8	377,379	26.7
Total	46,158	3.1	661,878	19.7

Gross profit of the Group was approximately HK$46.2 million, representing a decrease of HK$615.7 million as compared with approximately HK$661.9 million of the previous year. Gross profit margin decreased to 3.1% from 19.7% in 2022 which was mainly attributable to the gross loss of SI business.

Loss before tax

For the year ended 31 December 2023, the Group recorded a loss of approximately HK$2,855.0 million as compared with a loss of HK$316.2 million of the previous year. It was mainly due to the share of loss from the joint venture with investments in Myanmar, the decrease in revenue and gross loss of SI business and an increase in impairment of trade receivables, property, plant and equipment and intangible assets..

Other income and gains, net

In 2023, other income and gains, net of the Group amounted to approximately HK$4.3 million, representing a decrease of 45.6% as compared with approximately HK$7.9 million of the previous year. The decrease was mainly attributable to no gain on deconsolidation of subsidiaries and sales deposit forfeited in current year.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of costs for transportation and traveling expenses, commission expense, insurance expense, staff costs and others. In 2023, selling and distribution expenses of the Group decreased by 33.3% from approximately HK$22.2 million in 2022 to HK$14.8 million.

Administrative expenses

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

In 2023, administrative expenses of the Group were approximately HK$398.1 million, representing an increase of 5.4% as compared with approximately HK$377.7 million of the previous years. The increase was mainly due to an increase in depreciation charges on non-operating assets.

Other expenses, net

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

In 2023, other expenses, net were approximately HK$1,470.5 million, which represented an increase of 851.8% over the previous year of approximately HK$154.5 million. The increase was mainly attributable to an increase in impairment of trade receivables, property, plant and equipment and intangible assets.

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 2023, finance costs were approximately HK$316.2 million, which represented an increase of 35.8% as compared with the previous year of approximately HK$232.8 million. The increase was primarily due to an increase in average borrowing interest rate despite a decrease in total interest-bearing bank borrowings.

Income tax credit

Income tax credit of the Group primarily consists of income tax recoverable by our subsidiaries in the People's Republic of China, Hong Kong, Brazil and Peru. In 2023, income tax credit was approximately HK$1.0 million, as compared with the income tax credit of approximately HK$35.5 million in the previous year, and our effective tax rate was 0.0% and 11.2% for 2023 and 2022, respectively.

Loss Attributable to Owners and Loss per Share

In 2023, loss attributable to owners of the Company was approximately HK$2,854.0 million, as compared with loss attributable to owners of the Company of approximately HK$316.9 million of the previous year.

Basic loss per share for the year ended 31 December 2023 was HK76.18 cents as compared with basic loss per share of HK11.78 cents of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2023, total current assets of the Group amounted to approximately HK$2,946.5 million (2022: HK$4,550.0 million). In terms of financial resources as at 31 December 2023, cash and cash equivalents of the Group were approximately HK$131.2 million (2022: HK$122.3 million).

As at 31 December 2023, total bank and other borrowings of the Group amounted to approximately HK$2,767.2 million (2022: HK$2,921.2 million), representing a decrease of approximately 5.3% as compared to that of 31 December 2022. The Group's bank and other borrowings include short-term loans with one-year maturity and term loans with maturity within two years. As at 31 December 2023, the Group's bank and other borrowings were denominated in:

	2023 **HK$'000**	2022 HK$'000
U.S. dollars	**2,310,133**	2,572,561
HK dollars	**132,039**	166,295
Brazilian Real ("**BRL**")	**183,295**	129,774
Euro	**52,902**	32,740
Renminbi ("**RMB**")	**77,878**	12,223
Great British Pound ("**GBP**")	**8,791**	7,641
United Arab Emirates Dirham ("**AED**")	**2,163**	—
	2,767,201	2,921,234

As at 31 December 2023, the Group's current ratio was 0.7 (2022: 0.8). The Group's liabilities to assets ratio was 69.8% (2022: 64.8%). The Group's net gearing ratio was approximately 139.2% (2022: 88.0%).

Charge of Assets

As at 31 December 2023, certain of the Group's inventories with a net book value of approximately HK$161.5 million (2022: HK$310.3 million), property, plant and equipment with a net book value of approximately HK$125.8 million (2022: HK$74.3 million), pledged deposit of HK$1.1 million (2022: HK$23.0 million) and equity interest of the Group in a subsidiary were charged for securing the Group's interest-bearing bank and other borrowings and the equity interest of the Group in Genrent del Peru S.A.C. was charged for securing its senior notes.

Exposure on Foreign Exchange Fluctuations

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

The Group is exposed to foreign exchange risk through sales and purchases that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, BRL, IDR, RMB, MMK, PEN, AED and GBP. A majority of the Group's purchases are either in Euro or U.S. dollar. During the year ended 31 December 2023, the Group entered into currency forward contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely follow the hedging policy and monitor its overall foreign exchange exposure from time to time to 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, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

As at 31 December 2023, the Group had no contingent liabilities.

Capital Expenditures

For the year ended 31 December 2023, the Group invested approximately HK$99.3 million (2022: HK$156.8 million) in property, plant and equipment of which HK$99.1 million (2022: HK$156.6 million) was for IBO projects.

ISSUANCE OF EQUITY SECURITIES FOR SETTLEMENT OF DEBT AND CASH

On 12 June 2023, the Company and, among others, China National Technical Import & Export Corporation ("**CNTIC**") entered into a subscription agreement (amended by a supplemental agreement dated 28 August 2023), pursuant to which the Company allotted and issued 3,290,457,511 shares of HK$0.1 each of the Company ("**Shares**") to CNTIC at the subscription price of HK$0.42 per Share (the "**Subscription**"). The total subscription price of HK$1,381,992,155 payable by CNTIC was satisfied in full by way of application of and offsetting certain trade debts of the same amount payable by the Group to CNTIC. Completion of the Subscription took place on 26 September 2023.

On 24 August 2023, the Company and a placing agent entered into a placing agreement, pursuant to which the Company allotted and issued 691,000,000 Shares to placees procured by the placing agent at the placing price of HK$0.33 per Share for cash (the "**Placing**") for, among other things, ensuring compliance with the public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") following completion of the Subscription. The net placing price, after deducting related fees and expenses, was approximately HK$0.32 per Share. Completion of the Placing took place, simultaneously with completion of Subscription, on 26 September 2023. The Company received net proceeds of approximately HK$216.6 million from the Placing, and such proceeds were utilised as to approximately 80% for repayment of bank borrowings and approximately 20% as general working capital, consistently with the intended use of proceeds as disclosed in the announcement of the Company in relation to the Placing published on 24 August 2023.

After simultaneous completions of the Subscription and the Placing on 26 September 2023, CNTIC held 3,290,457,511 Shares, representing 49.42% of the issued share capital of the Company as enlarged by the issuance of Shares under the Subscription and the Placing, and became the controlling shareholder of the Company.

TREASURY POLICY

The Group has implemented a treasury policy that aims at better controlling its treasury management and financial resources. The treasury policy requires the Group to maintain an adequate level of cash and cash equivalents and available banking facilities to support daily operations and funding needs. The policy is regularly reviewed and evaluated to ensure its adequacy and effectiveness.

EMPLOYEES

As at 31 December 2023, the Group had 365 employees (2022: 400). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus motivate valued employees. In 2023, the Group provided internal and external training (e.g. orientation training, on-the-job training, product training and site safety training) to enrich the knowledge and skills of our employees.

The board of directors of the Company (the "**Board**") is the highest governance body of the Group which provides leadership and guidance to the Group's activities and oversees the execution of the Group's business strategies. It currently comprises five executive directors, a non-executive director and three independent non-executive directors. The biographical details of the directors are as follows:

EXECUTIVE DIRECTORS

Dr. Kang Hubiao, aged 51, was appointed as an Executive Director of the Company in December 2023. He is also the chairman of each of the Company's Board and the Nomination Committee. Dr. Kang oversees functions of the board of directors of the Company and is responsible for formulating overall mission and vision of the Group.

Dr. Kang possesses extensive experience in enterprise management, market development, large-scale overseas project contracting and overseas investment, construction and operation management. He joined China National Machinery Import and Export Corporation (中國機械進出口(集團)有限公司) ("**CMC**", a subsidiary of China General Technology (Group) Holding Co., Ltd. (中國通用技術(集團)控股有限責任公司) ("**Genertec**")) in July 1994. Dr. Kang served as a general manager of China National Energy Engineering & Construction Co., Ltd. (中國能源工程股份有限公司) (a subsidiary of Genertec) from August 2013 to October 2017; and served as a vice general manager from October 2017 to October 2020, a general manager from October 2020 to August 2021, the chairman and the party secretary from April 2021 to May 2022 of CMC. Since May 2022, he has been serving as the chairman of the board and party secretary of Genertec International Holding Co., Ltd. (通用技術集團國際控股有限公司) ("**Genertec International**", a subsidiary of Genertec).

Dr. Kang received his Ph.D. in environmental economy and management from Chinese Academy of Sciences, the PRC in July 2010. He obtained a bachelor's degree in mining engineering from China University of Mining and Technology, the PRC in July 1994. In December 2007, he was awarded as Certified Project Manager (IPMA Level C) by the Certification Body IPMA China Certification of the Project Management Research Committee as validated by the International Project Management Association.

Mr. Lam Yee Chun, alias Samson Lam, aged 52, a co-founder of the Group and was appointed as an Executive Director of the Company in February 2016. He is also the Chief Executive Officer of the Group and a director of various subsidiaries of the Company. Mr. Lam is principally responsible for the Group's strategic developments in both commercial and technical aspects. He is also responsible for providing top-level leadership of the general management of the Group.

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

Mr. Lam was awarded the Young Industrialist Awards of Hong Kong 2016 by the Federation of Hong Kong Industries and the Owner-Operator Award at the DHL/SCMP Hong Kong Business Awards 2017 for his outstanding achievement as an entrepreneur and a power generation solution provider. Mr. Lam is an executive committee member and Hong Kong and Mainland affairs committee member of Hong Kong Young Industrialists Council in the year of 2023-2024. He has been a member of the Hong Kong Trade and Development Council Mainland Business Advisory Committee since 2022.

Mr. Lu Weijun, aged 53, was appointed as an Executive Director of the Company in December 2023. He is responsible for overseeing business development of the Group, and facilitating business collaboration with the controlling shareholder and its group companies to drive business growth and expand market share of the Group.

Mr. Lu possesses extensive experience in large-scale overseas engineering market development and project management. He joined China National Technical Import & Export Corporation (中國技術進出口集團有限公司) ("**CNTIC**") in June 2003. He served as the general manager of China National Transportation Equipment & Engineering Co., Ltd. (中國軌道裝備工程有限公司), a subsidiary of Genertec from January 2019 to April 2021; a deputy general manager and member of the party committee of CNTIC from April 2021 to April 2022. Mr. Lu has been serving as a deputy general manager and member of the party committee of Genertec International since April 2022 and has been the sole executive director of CNTIC since September 2022.

Mr. Lu graduated from China University of Mining and Technology, the PRC, majoring in mining machinery and electrical engineering with a bachelor's degree in engineering in July 1996.

Mr. Li Haifeng, aged 38, was appointed as an Executive Director of the Company in December 2023. He is responsible for formulating overall strategies and policies in relation to the project investment of the Group.

Mr. Li is experienced in investment in the field of electrical power, acquisition, merger and reorganization of listed company and capital operation and possesses relevant management and operation experience. He joined CNTIC since October 2018 and was a general manager in the strategic investment department of CNTIC from August 2021 to January 2022. Since February 2023, Mr. Li has been working as a vice general manager in and in charge of the investment management department of Genertec International.

Mr. Li graduated from Hebei University, the PRC in June 2011 with a bachelor's degree in engineering and majoring in electrical engineering and automation. He acquired the Fund Practicing Qualification Certificate from Asset Management Association of China in 2019.

Mr. Jin Jiantang, aged 55, was appointed as an Executive Director of the Company in December 2023. He is also the Chief Financial Officer of the Group, responsible for formulating overall strategies and policies in relation to the financial management, financial reporting, budget management, cost-benefit analysis, tax planning and treasury management of the Group.

Mr. Jin possesses rich management experience in finance, audit, risk management and internal controls. He joined China National Instruments Import & Export Group Corporation (中國儀器進出口集團有限公司), a subsidiary of Genertec in July 1992. He worked in Genertec from March 1998 to March 2010 and served as the deputy general manager of risk management and legal affairs department of CMC from February 2011 to January 2022. He served as a deputy general manager in the audit department of Genertec International from January 2022 to December 2023.

Mr. Jin graduated from Peking University, the PRC with a master's degree in business administration in July 2002. He obtained a bachelor's degree in economics majoring in auditing from Nankai University, the PRC in 1992. He became a certified public accountant in the PRC in 1995 and obtained the certificate of certified public accountant issued by Beijing Institute of Certified Public Accountants in April 2011.

NON-EXECUTIVE DIRECTOR

Mr. Wong Kwok Yiu, aged 48, was appointed as a Non-executive Director of the Company in December 2022.

Mr. Wong is currently director of the business development department of CITIC Pacific Limited, a wholly-owned subsidiary of CITIC Limited (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 267). He is also a director of CITIC Pacific Special Steel Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000708), a director of certain member companies of CITIC Pacific Limited involved in special steel, energy, tunnel management, healthcare and telecommunications business and a director of certain member companies of CITIC Limited involved in iron ore mining projects. Mr. Wong joined CITIC Limited in 1997, since then, he has gained more than 25 years of experience in project investment and evaluation, financial modeling and analysis, project management and commercial negotiation.

Mr. Wong graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration (major in finance) in 1997 and obtained a master degree in professional accounting and information systems from City University of Hong Kong in 2004. He has been a chartered financial analyst of the Association for Investment Management and Research (now known as CFA Institute) since 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Suen Wai Yu, aged 46, was appointed as an Independent Non-executive Director of the Company in October 2016 and became a member of each of the Audit Committee and Remuneration Committee in December 2023.

Mr. Suen is the chief legal officer of ANTA Sports Products Limited (listed on the Stock Exchange, stock code: 2020) and responsible for overseeing all its legal, compliance and regulatory matters. He has over 19 years of experience in advising companies on capital and debt market transaction, merger and acquisition, commercial and project financing, regulatory and compliance works, and dispute resolution. Prior to joining ANTA Sports Products Limited, he was the group legal counsel and company secretary of Haitian International Holdings Limited (listed on the Stock Exchange, stock code: 1882) between August 2010 and February 2019. Mr. Suen worked in private practice as a solicitor from 2003 to 2010.

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

Dr. Wang Zheng, aged 47, was appointed as an Independent Non-executive Director of the Company in December 2023. She is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

Dr. Wang has experience of more than 15 years in higher education teaching in the United States and Hong Kong. She started her tertiary education career in the City University of Hong Kong since 2010 and she is currently an associate vice-president and a professor in the department of accountancy of the College of Business in the City University of Hong Kong where she has gained accounting teaching, research, and management experience. Her research areas focus on capital market, financial reporting and corporate disclosure. Her teaching areas include financial accounting, management accounting, and financial statement analysis.

Dr. Wang has published papers in top-tier accounting, finance and management journals including The Accounting Review and Contemporary Accounting Research, Journal of Banking and Finance, and Organization Science and Production and Operations Management. She has also served as an editorial board member for well-known accounting and management journals including Journal of Accounting, Auditing and Finance and Production and Operations Management, and as the associate editor of Asia-Pacific Journal of Accounting & Economics.

Dr. Wang received the her Ph.D. of Philosophy in Business and Management from Maryland University, the United States in August 2006. She obtained a master's degree of science in accounting and finance from the London School of Economics and Political Science, The University of London, the United Kingdom in July 2001, and a bachelor's degree of economics in international finance from Peking University, the PRC in July 1999.

Dr. Lin Tun, aged 49, was appointed as an Independent Non-executive Director of the Company in December 2023. He is also a member of each of the Company's Audit Committee, the Remuneration Committee and the Nomination Committee.

Dr. Lin has over 20 years of investment experience in the primary and secondary markets. He has been a chief investment officer of Micro Connect Group since July 2022. He was a managing director of Hony Capital from July 2013 to July 2022 and an executive director of China International Capital Corporation Limited from September 2010 to June 2013. He was an executive director and the chief executive officer of Goldstream Investment Limited (listed on the Stock Exchange, stock code: 1328) from December 2018 to May 2022.

Dr. Lin obtained his Ph.D. in economics and a master's degree in financial economics from the University of Cambridge, the United Kingdom in October 2005. He also holds a master's degree in science from the University of Vermont, the United States in May 1999 and a bachelor's degree in economics from Renmin University of China, the PRC in July 1997.

SENIOR MANAGEMENT

Mr. Lee Chong Man Jason, aged 54, a co-founder of the Group. Mr. Lee is an Executive Vice President of the Group and a director of various subsidiaries of the Company. He is responsible for business development of and the Group's general management and day-to-day operation in South America and Middle East.

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

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

Mr. Lo Siu Yuen, aged 53, joined the Group in September 2011. Mr. Lo is an Executive Vice President of the Group and a director of various subsidiaries of the Company. He is responsible for human resources planning of the Group, formulating overall corporate strategies and policies in relation to the project functional operation, overseeing ongoing project functional business operations including procurement and logistics.

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

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

Mr. Liu Boyang, aged 53, joined the Group in January 2015. Mr. Liu is an Executive Vice President of the Group. He is responsible for business development of and the Group's general management and day-to-day operation in Europe. He also manages the investment, merger and acquisition, capital structure and capital allocation of the Group.

Mr. Liu has over 20 years of experience in investment banking, strategic investment and private equity investment. Before joining the Group, he served as the managing director of Guangdong Success Capital Partners Limited from January 2014 to December 2014, co-founder and chief financial officer of NovaSolar Limited from May 2011 to May 2014, and chief financial officer of Dongjiang Environmental (HK) Co., Limited, a subsidiary of Dongjiang Environmental Company Limited (listed on the Stock Exchange, stock code: 895), from November 2007 to April 2010. Prior to that, he held various management positions in strategic planning, investment management and investment banking including as the Senior Finance Manager of PayPal Inc. from October 2005 to September 2007, as a manager in the financial strategy and analysis group of HSBC Card Services (under HSBC Bank USA, N.A.) from August 2004 to October 2005, worked at Byron Venture Partners L.P. from July 2001 to May 2004, and as the investment banking associate of J.P. Morgan Securities Inc. from July 2000 to June 2001.

Mr. Liu obtained a master's degree of business administration from the Wharton School, University of Pennsylvania in May 2000, a master of science in environmental engineering from the University of Connecticut in August 1998, and a bachelor of science in nuclear engineering from Tsinghua University in July 1993.

Mr. Luo Yi, aged 52, joined the Group in December 2023. Mr. Luo is an Executive Vice President of the Group and is responsible for business development of and the Group's general management and day-to-day operation in Indonesia and other Southeast Asian regions.

Mr. Luo has extensive experience in overseas engineering market development and project management. He served as Deputy General Manager and General Manager for power projects in Indonesia of CNTIC from 2007 to 2020; and Deputy Manager (Power Plant Engineering) of China DC Technical Import & Export Corporation (中國大千技術進出口有限公司) from 2019 to 2023.

Mr. Luo graduated from Beijing International Studies University in 1994 with a bachelor's degree in international economics.

Mr. Cheng Yong, aged 51, joined the Group in December 2023. Mr. Cheng is an Executive Vice President of the Group and is responsible for business development and the Group's general management and day-to-day operation in Myanmar and China. He also oversees the functions of the corporate office and sustainable development of the Group.

Mr. Cheng has extensive experience in overseas engineering project development and execution and company comprehensive management. He served as the General Manager (Overseas Business) of CNTIC from 2016 to 2020 and assumed managerial position in CNTIC VPower Group Holdings Company Limited, a joint venture company of the Group, from 2020 to 2021 and served as an office director of CNTIC and secretary of the company's discipline inspection commission of CNTIC from 2021 to 2023.

Mr. Cheng graduated from Beijing Foreign Studies University in 1995 with a bachelor's degree in Spanish.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company had complied with the applicable code provisions of the Corporate Governance Code ("**Code Provisions**") set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the following deviation during the period from 1 January 2023 to 4 December 2023:

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**") was the Executive Chairman of the Company and a Co-Chief Executive Officer (i.e. chief executive) of the Group during the period from 1 January 2023 to 4 December 2023. 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 was of the view that it is appropriate to vest the roles of the Executive Chairman and a Co-Chief Executive Officer in Mr. Lam during the aforesaid period for effective and efficient execution of the Group's strategies and the management's decisions. Besides, the then existing composition of the management team and Mr. Lee Chong Man Jason's role as the other Co-Chief Executive Officer during the period enabled the Group to achieve a balance of power and authority for Mr. Lam taking up the dual roles in the Group.

On 5 December 2023, Dr. Kang Hubiao was appointed the Chairman of the Board while Mr. Lam became the sole Chief Executive Officer of the Group, since then, the roles of chairman and chief executive were separate and were performed by two different individuals. Therefore, the aforesaid deviation from the Code Provisions was remedied from 5 December 2023 to 31 December 2023. The Company reviews the structures of the Board and the management team as well as all relevant arrangements and measures from time to time to ensure that effective management and internal control systems are in place.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with 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 year ended 31 December 2023.

BOARD OF DIRECTORS

Board's Role and Function

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

The Group instils a culture that respects and promotes communication and exchange of views and integrity in workplace. The Board sets the tone and shapes the corporate culture of the Company, which is underpinned by the core values of acting lawfully, ethically and responsibly across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group, which is to deliver with focus and professionalism; to care for community and people; and to innovate for the future and next generation. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. Board oversight of culture encompasses a range of measures and tools over time, including employee retention and training, whistleblowing framework, legal and regulatory compliance. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

Board's Delegation

The Board, led by the Chairman, approves and monitors group-wide strategies and policies, evaluates the performance of the Group and supervises the management and operation teams. To enhance efficiency, the Board has delegated to the Chief Executive Officer the leadership and management of the Group with the assistance of the executives and managers of the Group.

Board's Responsibilities for the Consolidated Financial Statements

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

The statement of the external auditor of the Company concerning its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 57 to 62 of the annual report, of which this corporate governance report forms part (the "**Annual Report**").

Board Composition

The composition of the Board during the year ended 31 December 2023 is as follows:

	Compositions of the Board and Board Committees before 5 December 2023	Compositions of the Board and Board Committees on and after 5 December 2023
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	Dr. Kang Hubiao, *Chairman* Mr. Lam Yee Chun, *Chief Executive Officer* Mr. Lu Weijun Mr. Li Haifeng Mr. Jin Jiantang, *Chief Financial Officer*
Non-executive Directors	Ms. Chan Mei Wan, *Vice Chairwoman* Mr. Wong Kwok Yiu	Mr. Wong Kwok Yiu
Independent Non-executive Directors	Mr. David Tsoi Mr. Yeung Wai Fai Andrew Mr. Suen Wai Yu	Mr. Suen Wai Yu Dr. Wang Zheng Dr. Lin Tun
BOARD COMMITTEES		
Audit Committee	Mr. David Tsoi, *Chairman* Ms. Chan Mei Wan Mr. Yeung Wai Fai Andrew	Dr. Wang Zheng, *Chairman* Mr. Suen Wai Yu Dr. Lin Tun
Remuneration Committee	Mr. Yeung Wai Fai Andrew, *Chairman* Ms. Chan Mei Wan Mr. Suen Wai Yu	Dr. Wang Zheng, *Chairman* Mr. Suen Wai Yu Dr. Lin Tun
Nomination Committee	Mr. Suen Wai Yu, *Chairman* Mr. Lam Yee Chun Mr. David Tsoi	Dr. Kang Hubiao, *Chairman* Dr. Wang Zheng Dr. Lin Tun

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

Save as the aforesaid changes with effect from 5 December 2023, there was no other change to the composition of the Board or the Board committees during the year ended 31 December 2023. Brief biographical details of each Director (including his/her age, gender, term of office, professional qualification and work experience) are set out under the section headed "Directors and Senior Management" on pages 17 to 22 of the Annual Report.

Each of Dr. Kang Hubiao, Mr. Lu Weijun, Mr. Li Haifeng, Mr. Jin Jiantang, Dr. Wang Zheng and Dr. Lin Tun had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 5 December 2023, and each of them has confirmed he/she understood his/her obligations as a director of a listed issuer.

The Board believes that the balance between Executive and Non-executive Directors (including Independent Non-executive Directors) is adequate to provide sufficient checks and balances that safeguard the interests of the shareholders of the Company and the Group. Non-executive Directors and Independent Non-executive Directors provide the Group with diversified expertise and experience, their views and participation in Board and committee meetings bring independent judgment and advice to the Board.

An Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence. No such notification was received during the year ended 31 December 2023. The Company has received a written confirmation on independence from each Independent Non-executive Director and considers all of the Independent Non-executive Directors to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Taking into account all of the above, the Company considers that board independence is maintained.

Chairman and Chief Executive Officer

The Chairman (Mr. Lam Yee Chun prior to 5 December 2023; and Dr. Kang Hubiao from 5 December 2023) is responsible for overseeing the functioning of the Board and, with the support of Executive Directors and the management team, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information timely. The Chief Executive Officer (Mr. Lam Yee Chun and Mr. Lee Chong Man Jason prior to 5 December 2023; and Mr. Lam Yee Chun from 5 December 2023) is responsible for managing the business of the Group and leading the executives and managers to implement strategies and to achieve objectives of the Board.

Board Meetings and Process

The Board held eleven meetings during the year ended 31 December 2023. Executives and project managers are invited to attend Board meetings to brief the Board members on issues considered by the Board where appropriate.

Directors' attendance record of Board meetings and Shareholders' meetings held during the year ended 31 December 2023 is as follows:

		Board Committees			
	Board	Audit	Remuneration	Nomination	Shareholders
Number of meetings held during the year	11	2	1	1	2
Executive Directors					
Dr. Kang Hubiao, *Chairman* *(appointed with effect from 5 December 2023)*	2/2	—	—	0/0	—
Mr. Lam Yee Chun, *Chief Executive Officer*	11/11	—	—	1/1	2/2
Mr. Lu Weijun *(appointed with effect from 5 December 2023)*	2/2	—	—	—	—
Mr. Li Haifeng *(appointed with effect from 5 December 2023)*	2/2	—	—	—	—
Mr. Jin Jiantang, *Chief Financial Officer* *(appointed with effect from 5 December 2023)*	2/2	—	—	—	—
Mr. Lee Chong Man Jason, *Co-Chief Executive Officer* *(resigned with effect from 5 December 2023)*	9/9	—	—	—	2/2
Mr. Lo Siu Yuen *(resigned with effect from 5 December 2023)*	9/9	—	—	—	2/2
Non-executive Directors					
Mr. Wong Kwok Yiu	11/11	—	—	—	2/2*
Ms. Chan Mei Wan, *Vice Chairwoman* *(resigned with effect from 5 December 2023)*	9/9	2/2	1/1	—	2/2*
Independent Non-executive Directors					
Mr. Suen Wai Yu	11/11	0/0	1/1	1/1	2/2*
Dr. Wang Zheng *(appointed with effect from 5 December 2023)*	2/2	0/0	0/0	0/0	—
Dr. Lin Tun *(appointed with effect from 5 December 2023)*	2/2	0/0	0/0	0/0	—
Mr. David Tsoi *(resigned with effect from 5 December 2023)*	8/9	2/2	—	1/1	2/2
Mr. Yeung Wai Fai Andrew *(resigned with effect from 5 December 2023)*	9/9	2/2	1/1	—	2/2*

* Directors participated the Shareholders' meeting(s) by electronic means.

Board Tenure

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

Each of Mr. Lam Yee Chun, Mr. Lee Chong Man Jason and Mr. Lo Siu Yuen, Executive Director or ex-Executive Directors, has entered into a director's service agreement with the Company for a term commencing from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms. The director's service agreement of each of Mr. Lee Chong Man Jason and Mr. Lo Siu Yuen was terminated with effect from 5 December 2023.

Each of Dr. Kang Hubiao, Mr. Lu Weijun, Mr. Li Haifeng and Mr. Jin Jiantang, all Executive Directors, has entered into a director's service agreement with the Company for a term commencing from 5 December 2023 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

Ms. Chan Mei Wan, an ex-Non-executive Director; and each of Mr. Suen Wai Yu, Mr. David Tsoi and Mr. Yeung Wai Fai Andrew, Independent Non-executive Director or ex-Independent Non-executive Directors, has entered into a letter of appointment with the Company for a term from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms. The letter of appointment of each of Ms. Chan Mei Wan, Mr. David Tsoi and Mr. Yeung Wai Fai Andrew was terminated with effect from 5 December 2023.

Mr. Wong Kwok Yiu, a Non-executive Director, has entered into a letter of appointment with the Company for a term from 7 December 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

Each of Dr. Wang Zheng and Dr. Lin Tun, both Independent Non-executive Directors, has entered into a letter of appointment with the Company for a term from 5 December 2023 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

Directors' Commitments

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

Training and Professional Development

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

During the year ended 31 December 2023, the Company provided training materials (including the training materials regarding anti-corruption) for the Directors to keep them abreast of the latest development of, among other things, legal and other regulatory requirements and corporate governance practices. The Company has received the records of training from all the Directors who participated in the following trainings:

	Types of training	
	Attending seminar/ conference/forum/ e-learning/webinar	**Reading articles/ newsletters/other materials about regulatory or industry or director's duties related updates**
Executive Directors		
Dr. Kang Hubiao, *Chairman* *(appointed with effect from 5 December 2023)*	✓	✓
Mr. Lam Yee Chun, *Chief Executive Officer*	✓	✓
Mr. Lu Weijun *(appointed with effect from 5 December 2023)*	✓	✓
Mr. Li Haifeng *(appointed with effect from 5 December 2023)*	✓	✓
Mr. Jin Jiantang, *Chief Financial Officer* *(appointed with effect from 5 December 2023)*	✓	✓
Mr. Lee Chong Man Jason, *Co-Chief Executive Officer* *(resigned with effect from 5 December 2023)*	✓	✓
Mr. Lo Siu Yuen *(resigned with effect from 5 December 2023)*	✓	✓
Non-executive Directors		
Mr. Wong Kwok Yiu	✓	✓
Ms. Chan Mei Wan, *Vice Chairwoman* *(resigned with effect from 5 December 2023)*	✓	✓
Independent Non-executive Directors		
Mr. Suen Wai Yu	✓	✓
Dr. Wang Zheng *(appointed with effect from 5 December 2023)*	✓	✓
Dr. Lin Tun *(appointed with effect from 5 December 2023)*	✓	✓
Mr. David Tsoi *(resigned with effect from 5 December 2023)*	✓	✓
Mr. Yeung Wai Fai Andrew *(resigned with effect from 5 December 2023)*	✓	✓

Group Anti-Bribery and Corruption Policy

The Group maintains a group anti-bribery and corruption policy which establishes certain controls to ensure the Group's business is conducted and in compliance with all applicable anti-bribery and anti-corruption regulations in a socially responsible manner. The policy applies to all individuals working at all levels and grades. Under the policy:

(a) employees must not engage or attempt to engage in any form of corruption, bribery, either directly or through any third party;
(b) all existing and new employees receive regular, relevant training on how to implement and adhere to the policy; and
(c) a channel and reporting mechanism for employees to lodge complaints for any corruptions, bribery and other fraudulent behaviours and misconduct is in place for independent analyses and necessary follow up.

BOARD COMMITTEES

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

Audit Committee

	Independent Non-executive Directors	Non-executive Director
Composition prior to 5 December 2023	Mr. David Tsoi *(Chairman)* Mr. Yeung Wai Fai Andrew	Ms. Chan Mei Wan
Composition from 5 December 2023	Dr. Wang Zheng *(Chairman)* Mr. Suen Wai Yu Dr. Lin Tun	
Role and functions^	(a) Consider the appointment of external auditor and its resignation or dismissal (b) Discuss with the external auditor before the audit commences, the nature and scope of the audit (c) Review half-year and annual financial statements before submission to the Board (d) Discuss matters arising from the audit, and any matters the external auditor may wish to discuss (e) Review the Group's risk management and internal control systems (f) Review the Company's corporate governance matters	
Summary of work performed in 2023	(a) Reviewed unaudited interim consolidated financial statements and audited annual consolidated financial statements of the Group with a recommendation to the Board for approval (b) Reviewed internal control and risk management of the Group (c) Reviewed progress reports on internal control, risk management and internal audit work implemented/planned by the Group (d) Reviewed provision of non-audit services by the external auditors (e) Reviewed the Company's corporate governance matters	

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

Whistleblowing Policy

The Company is committed to maintaining good corporate governance with accountability and transparency. It encourages employees and other parties who deal with the Company (e.g. consultants, suppliers, customers) to raise concerns about any suspected misconduct, malpractice or irregularity related to the Company. Under the Group's Whistleblowing Policy:

(a) reporting channels and guidance are provided for all stakeholders to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company;
(b) any individual making genuine reports are assured of fair treatment; and
(c) the Audit Committee has overall responsibility for implementation, monitoring and periodic review of the policy.

Remuneration Committee

	Independent Non-executive Directors	Non-executive Director
Composition prior to 5 December 2023	Mr. Yeung Wai Fai Andrew *(Chairman)* Mr. Suen Wai Yu	Ms. Chan Mei Wan
Composition from 5 December 2023	Dr. Wang Zheng *(Chairman)* Mr. Suen Wai Yu Dr. Lin Tun	

Role and functions^

(a) Consider the Company's policy and structure of remuneration of the Directors and senior management
(b) Review and approve the managements' remuneration proposals with reference to the Group's goals and objectives
(c) Make recommendations to the Board on the remuneration packages of individual Directors and senior management
(d) Consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions in the Group
(e) Review and approve compensation payable to Directors and members of the senior management relating to any loss or termination of their office or appointment
(f) Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct
(g) Ensure that no director or any of his/her associates is involved in deciding his/her own remuneration
(h) Review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, if any

Summary of work performed in 2023

(a) Reviewed the Company's policy and structure of remuneration of the Directors (and senior management)
(b) Reviewed the remuneration packages of Directors for the year ended 31 December 2023
(c) Reviewed revised management remuneration policy with a recommendation to the Board for adoption
(d) Reviewed the proposed terms of appointment of the newly-appointed executive Directors
(e) Reviewed the proposed terms of appointment and remuneration of the newly-appointed independent non-executive Directors with a recommendation to the Board for approval
(f) Reviewed the revised terms of reference of the Remuneration Committee with a recommendation to the Board for approval
(g) Reviewed the terms of appointment and remuneration packages of new members of the senior management (including the chief financial officer of the Group and executive vice presidents of the Group) with a recommendation to the Board for approval

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

Remuneration Policy

The Group's remuneration policy sets out the principles based on which remuneration packages of individual directors of the Company are determined. Under the policy:

(a) the remunerations of the Directors are determined with reference to the Board's corporate goals and objectives as well as salaries paid by comparable companies, time commitment and responsibilities and employment conditions;
(b) the remuneration packages and benefits offered by the Company aim to be fair, reasonable and competitive in the current market conditions and compared with other companies of a similar size, business nature and scope as the Company; and
(c) Executive Directors may also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

Remuneration of Senior Management

Details of the remuneration of each Director and 5 highest paid employees for the year ended 31 December 2023 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 December 2023, the remuneration of the non-director and non-chief executive senior management members as at 31 December 2023 by band is set out below:

Band of remuneration (HK$)	number of individuals
Below 1,000,000	2*
2,000,001 to 3,000,000	3

* The two senior management members joined the Group in December 2023.

Nomination Committee

	Independent Non-executive Directors	Non-executive Director
Composition prior to 5 December 2023	Mr. Suen Wai Yu *(Chairman)* Mr. David Tsoi	Mr. Lam Yee Chun
Composition from 5 December 2023	Dr. Wang Zheng Dr. Lin Tun	Dr. Kang Hubiao *(Chairman)*

Role and functions^

(a) Review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy
(b) Identify individuals suitably qualified to become members of the Board and the senior management and select or make recommendations to the Board on the selection of individuals nominated for directorships and members of the senior management
(c) Assess the independence of Independent Non-executive Directors
(d) Make recommendations to the Board on the appointment, re-election or removal of Directors, the appointment or termination of employment of any members of the senior management, and the succession planning for directors and the chief executive(s)
(e) Review the board diversity policy

Summary of work performed in 2023

(a) Nominated the retiring Directors for re-election by Shareholders at the annual general meeting of the Company held in 2023
(b) Reviewed and assessed individual Independent Non-executive Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules
(c) Reviewed the structure, size and composition of the Board
(d) Reviewed the board diversity policy
(e) Considered the appointments of (1) the Chairman; (2) four Executive Directors; and (3) two Independent Non-executive Directors, with a recommendation to the Board for approval
(f) Reviewed the revised terms of reference of the Nomination Committee with a recommendation to the Board for approval
(g) Nominated the appointment of new members of the senior management (including the chief financial officer of the Group and executive vice presidents of the Group) with a recommendation to the Board for approval

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

Board Diversity Policy

The Group's board diversity policy sets out the approach to achieve diversity on the Board. Under the policy:

(a) the Company recognises the benefits of having a diverse Board, and sees diversity at Board level as an essential element in achieving a sustainable and balanced development of the Company; and
(b) selection of candidates for directorship with the Company will be based on diversity of perspectives which can be achieved through consideration of a number of factors including but not limited to gender, cultural and educational background, regional and industry experience, talents and skills.

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

The Company aims to maintain an appropriate balance of diversity perspectives of the Board in support of the attainment of its strategic objectives and its sustainable development. During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the board diversity policy and discussed measurable objectives, including but not limited to gender, cultural and educational background, regional and industry experience, talents and skills, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company. The Directors' biographical information is set out on pages 17 to 22.

As at the date of the Directors' Report, the Board has one female Director and eight male Directors and the Directors come from a variety of different backgrounds and have a diverse range of business, financial services and professional experience. The Company is committed to improving the diversity of the Board based on its needs and as and when suitable candidates are identified. The Board targets to maintain at least the current level of female representation. The Company will ensure that gender diversity is taken into account when recruiting staff members of mid to senior level and ensure that sufficient resources are available for providing appropriate training and career development to develop a pipeline of potential successors to the Board and maintain gender diversity.

Further information on the gender diversity at workforce levels is set out in the 2023 Sustainability Report of the Group.

Nomination Policy

The Group's nomination policy sets out the principles to nominate a suitable candidate to the Board for appointment. Under the policy:

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the Group's system of corporate governance and has performed and reviewed the corporate governance functions timely as required under the Corporate Governance Code set out in Appendix C1 of the Listing Rules. During the year ended 31 December 2023, the Audit Committee, the management team and executives of the Group, with powers delegated by the Board, reviewed and monitored the Company's policies and practices relating to corporate governance and the Group's compliance with the Listing Rules including the Code Provisions from time to time.

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

COMPANY SECRETARY

Ms. Wong Wai Man is the legal counsel of the Group and the Company Secretary of the Company. She is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. All Directors have access to the Company Secretary for professional advice and services. The Company Secretary assists the Board in corporate governance matters and facilitates professional development of directors. During the year ended 31 December 2023, Ms. Wong had relevant professional training of not less than 15 hours.

EXTERNAL AUDITOR

Ernst & Young ("**EY**") was re-appointed as the Company's external auditor at 2023 annual general meeting of the Company until the conclusion of the next annual general meeting. In order to maintain independence, EY primarily provides audit services in connection with the Group's consolidated financial statements, and only provides non-audit services that do not impair their independence or objectivity.

Remuneration paid or payable to EY for audit and non-audit services for the year ended 31 December 2023 is set out below:

	HK$'000
Audit services	9,176
Non-audit services	
Tax compliance and advisory services	494
Total	9,670

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board also reviews regularly the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's environmental, social and governance performance and reporting.

The internal audit function has reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2023 and found them effective and adequate. Details of the Group's key risks and mitigating measures are discussed under the section headed "Risk Management" on pages 53 to 56 of the Annual Report.

DISCLOSURE OF INSIDE INFORMATION

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

The Company has a general obligation to disclose inside information to the public. Under the inside information policy:

(a) the Company shall take reasonable precautions for preserving the confidentiality of inside information before disclosure to the public, for instance, the disclosure of confidential information is absolutely restricted to core team members within the Group on a "need-to-know" basis;

(b) the Company has maintained an internal control and reporting systems for escalation of potential inside information to the directors of the Company; and

(c) the management team of the Group reviews the relevant control and reporting systems from time to time to ensure that they remain effective for compliance with the applicable laws and regulations.

SHAREHOLDERS

Communication with Shareholders

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

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

During the year ended 31 December 2023, the Company held two shareholders' meetings. Voting on resolutions put forward at the meeting was taken by way of poll and the poll results are published on the websites of the Company (*www.vpower.com*) and the Stock Exchange.

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

The Company's website is an effective means of communication with Shareholders. Any Shareholders who have comments for the Group are most welcomed to contact the Company at any time through the contact channels set out under "Investors" of the Company's website (*www.vpower.com*). In addition, Shareholders can contact the Company's branch share registrar in Hong Kong (the "**Branch Share Registrar**"), Computershare Hong Kong Investor Services Limited, through the contact channels set out on the website of the Branch Share Registrar (*www.computershare.com/hk/contact*) if they have any enquiries about their shareholdings and entitlements.

Corporate Communications will be provided to Shareholders in both English and Chinese. Shareholders have the right to choose/change their means of receipt (print or electronic) free of charge, at any time, with reasonable notice in writing or by email (*vpower.ecom@computershare.com.hk*), to the Branch Share Registrar.

With the above measures in place, the shareholders' communication policy is considered to have been effectively implemented.

Shareholders' Rights

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

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

DIVIDEND POLICY

The Company maintains a dividend policy which sets out the approach to declare and distribute dividends to the Shareholders. Under the policy:

- the Board may make recommendation to the Shareholders on the distribution of final dividends and may from time to time pay to the Shareholders interim dividends based on the financial position of the Company;
- the Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then considers relevant;
- the Company's declaration and payment of dividends shall also comply with, among other things, the Articles of Association of the Company as well as other applicable laws, rules and regulations.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, the Company's Memorandum of Association and Articles of Association were amend to (i) reflect certain updates to the Listing Rules (in particular to conform to the core shareholder protection standards as set out in Appendix A1 to the Listing Rules) and the applicable laws of the Cayman Islands; (ii) provide greater flexibility to the Company in relation to the conduct of general meetings by allowing (but not requiring) general meetings to be held as an electronic meeting and/or as a hybrid meeting where the Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person; and (iii) make certain minor housekeeping amendments to the Memorandum of Association and Articles of Association. Details of the amendments were set out in the circular of the Company dated 29 April 2023.

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

The Directors have pleasure in presenting the annual report and the audited consolidated financial statements of VPower Group International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 1 to the audited consolidated financial statements for the year ended 31 December 2023 (the "**Financial Statements**") on pages 70 and 71 of the annual report, of which this directors' report forms part (the "**Annual Report**"). There was no significant change in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Business Review and Future Development

The discussion on future development and business review of the Group for the year ended 31 December 2023 are set out under the section headed "Chairman's Statement" on pages 04 to 07 of the Annual Report and "Management Discussion and Analysis" on pages 08 to 16 of the Annual Report respectively.

Key Risks

The discussion on key risks of the Group and our responses and mitigating measures are set out under the section headed "Risk Management" on pages 53 to 56 of the Annual Report.

Discussion on Environmental Policies and Performance and Legal and Compliance

Environmental Policies and Performance

The Group, as a responsible provider of distributed power generation solutions, is dedicated to environmental protection. It has adopted various strategies, policies and arrangements in respect of greenhouse gas emissions, energy consumption, water resources consumption and waste management in its operations, details of which are discussed in the 2023 Sustainability Report of the Group. The Group pays great attention to its carbon footprints and has set a long-term target of carbon neutrality by 2050. To reduce emissions from the source, the Group actively promotes the use of natural gas, biogas and renewables in replacement of coal and diesel in power generation. It closely monitors the operational efficiency of its gen-sets and adopts green technologies such as waste-to-energy solutions and selective catalytic reduction system so as to control the emissions from operation.

Legal and Compliance

Environment

The Group is required to comply with the laws and regulations on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste, etc. Violation of any of applicable environmental laws and regulations may result in penalties, operation suspension, or legal action against the Group. During the year ended 31 December 2023, the Group did not identify any confirmed non-compliance incident in relation to environmental protection that would have a significant impact on the Group.

Employment

The Group is required to comply with the legal obligations and responsibilities of employers to provide employment protection and benefits covering compensation and dismissal, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare, etc. During the year ended 31 December 2023, the Group did not identify any confirmed non-compliance incident in relation to our employment practices that would have a significant impact on the Group.

Health and Safety

The Group is required to comply with laws and regulations which provide requirements to safeguard work safety, prevent accidents in the process of labour, and reduce occupational hazards. During the year ended 31 December 2023, the Group did not identify any confirmed non-compliance incident in relation to health and safety of workers that would have a significant impact on the Group.

Relationship with Stakeholders

Communication with employees, investors, customers, suppliers, regulators, community representatives and other stakeholders forms an integral part of the Group's daily operations. Various communication channels have been established to achieve open and effective communication. Through constant communication and regular contact with a wide range of stakeholders, we expect a deeper understanding of their concerns and expectations for the Group is developed which will be reflected in our management and strategies.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the financial position of the Group as at 31 December 2023 are set out in the Financial Statements on pages 63 to 66 at the Annual Report.

The board of directors of the Company (the "**Board**") did not recommend the payment of a final dividend for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the forthcoming annual general meeting scheduled to be held on Tuesday, 18 June 2024 (the "**2024 AGM**"), the register of members of the Company will be closed during the period commencing from Thursday, 13 June 2024 to Tuesday, 18 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2024 AGM, all transfer document(s), accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the last five financial years, is set out on page 162 of the Annual Report. The summary does not form part of the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2023 is set out in note 29 to the Financial Statements.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution amounted to HK$738.0 million.

DONATIONS

During the year, donations by the Group for charitable and other purposes amounted to HK$55,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate percentage of sales attributable to the Group's five largest customers was approximately 84.2% of the Group's total revenue and the percentage of sales attributable to the Group's largest customer was approximately 46.3%.

For the year ended 31 December 2023, the aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 90.4% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 29.9%.

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

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2023, the Company maintained (i) a share option scheme; and (ii) a share award scheme, details of which are set out in the following sections headed "Share Option Scheme" and "Share Award Scheme" of this directors' report. Save as disclosed above, no equity-linked agreements were entered into by the Group during the year ended 31 December 2023 or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES

Save as disclosed under the following sections headed "Share Option Scheme" and "Share Award Scheme", at no time during the year ended 31 December 2023 or at the end of the year was the Company or any of its subsidiaries a party to any arrangements which enabled the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2023 were:

Executive Directors

Dr. Kang Hubiao, *Chairman*
(appointed with effect from 5 December 2023)
Mr. Lam Yee Chun, *Chief Executive Officer*
Mr. Lu Weijun
(appointed with effect from 5 December 2023)
Mr. Li Haifeng
(appointed with effect from 5 December 2023)
Mr. Jin Jiantang, *Chief Financial Officer*
(appointed with effect from 5 December 2023)
Mr. Lee Chong Man Jason, *Co-Chief Executive Officer*
(resigned with effect from 5 December 2023)
Mr. Lo Siu Yuen
(resigned with effect from 5 December 2023)

Non-executive Directors

Mr. Wong Kwok Yiu
Ms. Chan Mei Wan, *Vice Chairwoman*
(resigned with effect from 5 December 2023)

Independent Non-executive Directors

Mr. Suen Wai Yu
Dr. Wang Zheng
(appointed with effect from 5 December 2023)
Dr. Lin Tun
(appointed with effect from 5 December 2023)
Mr. David Tsoi
(resigned with effect from 5 December 2023)
Mr. Yeung Wai Fai Andrew
(resigned with effect from 5 December 2023)

Pursuant to Article 84 of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and retiring directors shall be eligible for re-election at that meeting. The Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment and as between persons who became or were last re-elected Directors on the same day shall (unless they otherwise agree among themselves) be determined by lot. On this basis, Mr. Suen Wai Yu shall retire by rotation at the 2024 AGM and, being eligible, has offered himself for re-election.

With effect from 5 December 2023, Dr. Kang Hubiao ("**Dr. Kang**"), Mr. Lu Weijun ("**Mr. Lu**"), Mr. Li Haifeng ("**Mr. Li**") and Mr. Jin Jiantang ("**Mr. Jin**") were appointed as the Executive Directors; and Dr. Wang Zheng ("**Dr. Wang**") and Dr. Lin Tun ("**Dr. Lin**") were appointed as the Independent Non-executive Directors. In accordance with Article 83(3) of the Company's Articles of Association, Dr. Kang, Mr. Lu, Mr. Li, Mr. Jin, Dr. Wang and Dr. Lin are subject to re-election at the forthcoming 2024 AGM and, being eligible, have offered themselves for re-election.

Details of the Directors standing for re-election at the 2024 AGM will be set out in the circular to be despatched to the shareholders of the Company.

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 17 to 22 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

On 17 December 2021, Mr. Suen Wai Yu, an Independent Non-executive Director, entered into a letter of appointment with the Company for a term commencing from 1 January 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

On 6 December 2022, Mr. Wong Kwok Yiu, a Non-executive Director, entered into a letter of appointment with the Company for a term commencing from 7 December 2022 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

On 4 December 2023, each of Dr. Kang Hubiao, Mr. Lu Weijun, Mr. Li Haifeng and Mr. Jin Jiantang, all Executive Directors, entered into a director's service agreement with the Company for a term commencing from 5 December 2023 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

On 4 December 2023, each of Dr. Wang Zheng and Dr. Lin Tun, both Independent Non-executive Directors, entered into a letter of appointment with the Company for a term commencing from 5 December 2023 to 31 December 2024, subject to retirement by rotation and termination in accordance with its terms.

None of the Directors proposed for re-election at the 2024 AGM have a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than the statutory compensation).

DIRECTORS' REMUNERATION

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance between the Company or its subsidiaries and a controlling shareholder of the Company or its subsidiaries subsisted at the end of the year ended 31 December 2023 or at any time during the year.

PERMITTED INDEMNITY PROVISION

As permitted by the Company's Articles of Association, the Directors and other officers shall be indemnified out of the Company's assets and profits against any liability incurred by such Directors or officers by reasons of act done or omitted in the execution of their duty, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to any of such Directors or officers. Such permitted indemnity provision has been in force throughout the year ended 31 December 2023 and is currently in force at the time of approval of this directors' report. The Company has arranged appropriate liability coverage for the Directors and officers of the Group.

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

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital *(Note 2)*
Mr. Lam Yee Chun ("**Mr. Lam**")	Interest of a controlled corporation	1,108,826,000 *(Note 3)*	16.59%
	Beneficial owner	2,605,000	0.04%
	Interest of spouse	388,288,000 *(Note 4)*	5.81%

Notes:

1. All the above interests in the shares of the Company were long positions. None of the Directors and the chief executive of the Company held any short positions in the shares or underlying shares of the Company as at 31 December 2023.

2. Based on 6,683,150,524 shares of the Company in issue as at 31 December 2023.

3. Energy Garden Limited ("**Energy Garden**") is a controlled corporation of Sunpower Global Limited ("**Sunpower**"); and Mr. Lam holds the entire issued share capital of Sunpower. Mr. Lam is deemed to have interest in 1,108,826,000 shares of the Company held by Energy Garden.

4. Ms. Chan Mei Wan ("**Ms. Chan**"), the spouse of Mr. Lam, holds the entire issued share capital of Classic Legend Holdings Limited which holds 387,380,000 shares of the Company; and Ms. Chan is the beneficial owner of 908,000 shares in the Company. Under Division 2 and 3 of Part XV of the SFO, Mr. Lam is deemed to have interest in the aggregate of 388,288,000 shares in the Company in which his spouse has interest.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION 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 (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 key talents.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to the termination of the Share Option Scheme and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. As at 31 December 2023, the Share Option Scheme had a remaining life of approximately 2.5 years.

The maximum number of shares of the Company (the "**Shares**") which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of Shares which may be issued upon exercise of all options that may be granted under the Share Option Scheme and other share option schemes shall not in aggregate exceed 10% of the issued share capital of the Company as of the date of listing of the Shares on the Stock Exchange under the existing mandate. On this basis, 252,085,000 new Shares, representing approximately 3.77% of the total number of Shares in issue as at the date of this report, were available for issue under the Share Option Scheme. 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 number of Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of the directors of the Company (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.

As at 31 December 2023, 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.

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. As at 31 December 2023, the Share Award Scheme had a remaining life of approximately 3.5 years.

Pursuant to the Share Award Scheme, the Board may, at its absolute discretion, grant Shares (the "**Awarded Shares**") to the aforesaid persons at no consideration (as payment upon acceptance or purchase price of the Awarded Shares) and impose conditions as it deems appropriate with respect to the vesting of the Awarded Shares on the grantees. The maximum number of Awarded Shares which may be granted under the Share Award Scheme (in the form of new Shares or existing Shares) shall not exceed 5% of the issued share capital of the Company from time to time, being 119,644,650 Shares and 334,157,526 Shares as at 1 January 2023 and 31 December 2023, respectively. 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.

As at 31 December 2023, 13,666,803 Shares were held by the trustee on trust for the selected eligible persons.

During the year ended 31 December 2023, no Awarded Shares had been granted by the Board under the Share Award Scheme.

Under the amended provisions of Chapter 17 of the Listing Rules effective on 1 January 2023, the grant of the Awarded Shares in the form of new Shares under the Share Award Scheme requires shareholders' scheme mandate.

No Share was available for issue under the Share Award Scheme as at 29 April 2024, being the date of this report as the Company had not yet obtained from shareholders' a scheme mandate for issue of Awarded Shares in the form of new Shares.

The Company had not fixed a service provider sublimit for the Share Award Scheme as at 31 December 2023.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, each of Dr. Kang Hubiao, Mr. Lu Weijun and Mr. Li Haifeng, had interests in the following business, which is considered to compete or be likely to compete, either directly or indirectly, with our business:

Name of Director	Name of Company	Interest in the Competing Business	Nature of the Competing Business
Dr. Kang Hubiao	Genertec International Holding Co., Ltd.	Chairman	Investment in, construction and operation of overseas energy engineering projects
Mr. Lu Weijun	Genertec International Holding Co., Ltd.	Vice President	Investment in, construction and operation of overseas energy engineering projects
	China National Technical Import & Export Corporation	Director	Investment in, construction and operation of overseas energy engineering projects
Mr. Li Haifeng	Genertec International Holding Co., Ltd.	Deputy General Manager of Investment Management Department	Investment in, construction and operation of overseas energy engineering projects
	China National Energy Engineering & Construction Co., Ltd.	Director	Investment in, construction and operation of overseas energy engineering projects

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2023.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, 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 issued share capital *(Note 2)*
China General Technology (Group) Holding Co., Ltd. ("**Genertec**")	Interest of a controlled corporation	3,290,457,511 *(Note 3)*	49.24%
China National Technical Import & Export Corporation ("**CNTIC**")	Beneficial owner	3,290,457,511 *(Note 3)*	49.24%
Sunpower Global Limited ("**Sunpower**")	Interest of a controlled corporation	1,108,826,000 *(Note 4)*	16.59%
Energy Garden Limited ("**Energy Garden**")	Beneficial owner	1,108,826,000 *(Note 4)*	16.59%
Ms. Chan Mei Wan **("Ms. Chan**")	Interest of a controlled corporation	387,380,000 *(Note 5)*	5.80%
	Beneficial owner	908,000	0.01%
	Interest of spouse	1,111,431,000 *(Note 6)*	16.63%
Classic Legend Holdings Limited ("**Classic Legend**")	Beneficial owner	387,380,000 *(Note 5)*	5.80%

Notes:

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

2. Based on 6,683,150,524 shares of the Company in issue as at 31 December 2023.

3. CNTIC is a controlled corporation of Genertec, therefore Genertec is deemed to have interest in the 3,290,457,511 shares held by CNTIC. Mr. Lu Weijun is the sole executive director of CNTIC.

4. Energy Garden is a controlled corporation of Sunpower, therefore Sunpower is deemed to have interest in the 1,108,826,000 shares of the Company held by Energy Garden. Mr. Lam Yee Chun ("**Mr. Lam**") holds the entire issued share capital of Sunpower, and is the sole director of each of Sunpower and Energy Garden.

5. Ms. Chan holds the entire issued share capital of Classic Legend Holdings Limited which holds 387,380,000 shares of the Company.

6. Energy Garden is a controlled corporation of Sunpower, therefore Sunpower is deemed to have interest in the 1,108,826,000 shares of the Company held by Energy Garden. Mr. Lam holds the entire issued share capital of Sunpower, therefore Mr. Lam is deemed to have interest in the 1,108,826,000 shares of the Company held by Energy Garden; and Mr. Lam is the beneficial owner as 2,605,000 shares of the Company. Mr. Lam is the spouse of Ms. Chan. Under Division 2 and 3 of Part XV of the SFO, Ms. Chan is deemed to have interest in the aggregate of 1,111,431,000 shares of the Company in which her spouse has interest.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any interests or short positions in the shares of the Company or underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

1. Tenancy Agreement

On 1 February 2023, a wholly-owned subsidiary of the Company as lessee entered into a tenancy agreement ("**Tenancy Agreement**") with Orient Profit Investment Limited ("**Orient Profit**") as lessor to rent a residential property in Hong Kong for a monthly rent of HK$150,000 with a fixed term for one year commencing from 1 January 2023 to 31 December 2023 (both dates are inclusive).

Orient Profit is wholly-owned by Ms. Chan Mei Wan, who was a Non-executive Director of the Company at the material time, and the spouse of Mr. Lam Yee Chun, an Executive Director, and therefore a connected person of the Company. The Tenancy Agreement constitutes a continuing connected transaction of the Company which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.76(1) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. Procurement of Equipment and Ancillary Components

On 4 December 2023, (i) VPower Holdings Limited ("**VH**"), an indirect wholly owned subsidiary of the Company, as the buyer and China National Technical Import & Export Corporation ("**CNTIC**"), the controlling shareholder of the Company, as the seller entered into three agreements in relation to the sale and purchase of certain engines (the "**Overseas Procurement Agreements**"); and pursuant to the Overseas Procurement Agreements, VH agreed to purchase from CNTIC those engines at the aggregate consideration of EUR8,177,530.00 (approximately HK$69,509,005.00); and (ii) VPower Engineering (Shenzhen) Limited (偉能機電設備(深圳)有限公司) ("**VPower Shenzhen**"), an indirect wholly owned subsidiary of the Company), as the buyer and CNTIC as the seller entered into three agreements in relation to the sale and purchase of certain ancillary components (the "**PRC Procurement Agreements**"); and pursuant to the PRC Procurement Agreements, VPower Shenzhen agreed to purchase from CNTIC those ancillary components at the aggregate consideration of RMB10,869,684.00 (approximately HK$11,956,652.40).

CNTIC is the controlling shareholder of the Company, therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Overseas Procurement Agreements and the PRC Procurement Agreements constitute connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the transactions, please refer to the Company's announcement dated 4 December 2023.

RELATED PARTY TRANSACTIONS

Details of material transactions with related parties of the Group during the year ended 31 December 2023 are disclosed in note 37 to the Financial Statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for that described above in the paragraph headed "Connected Transactions" which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.76(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

SUSTAINABILITY REPORT

The 2023 Sustainability Report of the Company prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Listing Rules is published on the same day as our 2023 Annual Report.

By Order of the Board
Kang Hubiao
Chairman

Hong Kong, 29 April 2024

RISK MANAGEMENT FRAMEWORK

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

STRUCTURE

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

RISK MANAGEMENT PROCESS

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

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

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

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

Key risks in 2023 included:

RISK CATEGORY: STRATEGIC RISK

RISK	OUR RESPONSE AND MITIGATING MEASURES
The change of control over the Company to the state-owned controlling shareholder took place in September 2023. To capture synergies with the controlling shareholder and its group companies and comply with national regulation, integration of the Group into the management system of controlling shareholder is required in a planned and systematic way. Failure or delay in achieving an effective corporate integration may damage corporate coherence, affect operational efficiency and lead to underperformance of the Group.	The management of the Group is working closely with the controlling shareholder to build mutual understanding and set clear integration objectives and implementation plan. The Group will continue the communication with relevant stakeholders during the implementation of the integration plan for their feedback and adjust the plan where appropriate.
The Group is subject to physical and transition risks posed by climate change. Affecting many countries and regions, climate change is proven to increase the frequency and intensity of extreme weather events, such as typhoons and floods. It may also cause supply chain disruption and business and operation interruption.	The Group targets to achieve carbon neutrality by 2050 and is mapping out a blueprint to outline the Group's strategies to decarbonise our generation portfolio and long-term business plans. With a climate change policy, the Group strives to mitigate the physical risks by exploring the uses of renewable energy, enhancing waste management encouraging recycling practices and strengthening hazard management.

RISK CATEGORY: OPERATIONAL & HUMAN RESOURCES RISKS

RISK	OUR RESPONSE AND MITIGATING MEASURES
The global political environment and economic conditions have been clouded by multiple geopolitical events in recent years. Having multinational operations, the Group is faced with different challenges during these uncertain times.	In today's increasingly interconnected world, it is unlikely for multinational enterprises to avoid global risks. Leveraging on our highly mobile power solutions, we have developed redeployment and demobilisation plans for our projects in different countries. Considering the political and social developments of emerging market in the last few years, we have reduced our exposure in certain emerging markets.
Any loss of key staff may potentially affect the operation of the Company.	Employees are the key assets to our business. The Group has succession plans of key positions in place and reviews the compensation policy from time to time. By enhancing our employee engagement as part our employee retention programme, we strive to address the concerns of our employees and reinforce their sense of belongings.

RISK CATEGORY: FINANCE, REGULATORY & COMPLIANCE RISKS

RISK	OUR RESPONSE AND MITIGATING MEASURES
The recent tightened financial conditions and hiking interest rates have brought substantial pressure on corporates with interest-bearing liabilities. Failure to manage the debt profile or comply with the financial covenants under loan agreements may exert an adverse impact on the Group's financial position and ability to refinance.	The Group is strengthening its treasury management by closely monitoring the debt profile, interest coverage ratio and compliance with financial covenants. In addition to bank financing, we are also exploring other equity and debt financing arrangements to balance the financial position.
The Group's revenue streams and cost components are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. As such, we are also exposed to translation risk primarily due to the receivables, payables and cash balances denominated in foreign currencies.	The Group has hedging, treasury and capital management policies in place to manage our foreign currency exposures. We also mitigate our foreign exchange risk through natural hedge and entering into forward currency contracts when appropriate.
The Group has a number of long-standing key customers and suppliers. In case of any occurrence of payment disputes or delays, our financial position may be adversely affected.	The Group has strong business relationship with key customers and suppliers and maintains close communication with them. We review the credit profile of key customers regularly and assess trade receivables on an individual basis for impairment. We will continue to strengthen our billing and collection process. The Group will continue to work closely with suppliers on the settlement of trade and other payables.
Environmental-related rules and regulations are getting more stringent given the highlighted concern over climate change. Non-compliance with these laws and regulations may lead to penalties or legal action.	The Group has an environmental management policy with monitoring and reporting mechanisms in place to ensure compliance with relevant environmental regulations. The Group will also continue to strength employee awareness over environmental compliance.

RISK CATEGORY: BUSINESS & MARKET RISKS

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

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

EY 安永

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

OPINION

We have audited the consolidated financial statements of VPower Group International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 161, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$2,854.0 million during the year ended 31 December 2023 and, as of that date, the Group had net current liabilities of HK$1,305.9 million. The Group has failed to repay some of the bank and other borrowings in accordance with the repayment schedules during the year and up to the date of approval of these financial statements, and the Group has also breached certain loan covenants. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses of trade receivables	
As at 31 December 2023, the carrying amount of trade receivables was HK$1,615.8 million and represented 25.9% of the Group's total assets. To assess expected credit losses ("ECLs") of trade receivables, management is required to make significant judgements and estimates in the selection of appropriate models and inputs based on reasonable and supportable information. The Group uses probability of default approach to calculate ECLs for (i) trade receivables of certain customers in the system integration segment with an aggregate net carrying amount of HK$324.7 million; (ii) trade receivables due from subsidiaries of a joint venture with an aggregate net carrying amount of HK$1,152.4 million; and (iii) trade receivables of the investment, building and operating segment with an aggregate net carrying amount of HK$114.5 million. The probability of default of counterparties takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate, and the loss given default, which is made with reference to an external credit report, or is estimated based on the fair values of the considerations expected to be received, including the values of the engine-based electricity generation units to be taken possession of by the Group and the renegotiated settlement expected to be received from a subsidiary of a joint venture in an anticipated recovery scenario, taking in account the probability-weighted outcome considering the legal and regulatory restrictions on taking possession of the engine-based electricity generation units. The Group's accounting policies, disclosures of accounting estimates on provision for ECLs on trade receivables and information about the ECLs on trade receivables are included in notes 2.4, 3 and 18 to the consolidated financial statements, respectively.	We assessed management's assessment by: • sample checking the ageing of the receivable balances and past repayment history; • evaluating the forecast economic conditions (i.e. gross domestic product) against market data; • evaluating the probability of default of counterparties with the assistance from our internal valuation specialists; • evaluating the loss given default, which was made with reference to an external credit report, with the assistance from our internal valuation specialists; • checking the arithmetic accuracy of the calculation of the ECLs; and • assessing the adequacy of related disclosures in the consolidated financial statements. In respect of the trade receivables due from subsidiaries of a joint venture, we also performed the following procedures: • evaluating the expected cash flows from the renegotiated settlement to be received from a subsidiary of a joint venture based on the prospective financial information of the entity; • assessing the fair value less costs of disposal of the engine-based electricity generation units expected to be taken possession of by the Group; and • assessing the probability-weighted outcome of taking possession of the engine-based electricity generation units by the Group by considering legal opinions and past experience of the Group.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of inventories	
As at 31 December 2023, the carrying amount of inventories was HK$1,029.5 million and represented 16.5% of the Group's total assets. Assessment of net realisable value of inventories is performed by management with reference to ageing analysis of the Group's inventories, projections of expected future saleability/usability of inventories and management experience and judgement. The impairment assessment is significant to our audit due to (i) the significance of the carrying amount; and (ii) significant judgements and estimates involved in determining the net realisable values with reference to, among others, expectation of future saleability/usability and estimated future cash flows from the sales/utilisation of inventories. The Group's accounting policies, disclosures of assessment of net realisable value of inventories and write-down/reversal of write-down of inventories to net realisable value are included in notes 2.4, 3 and 7 to the consolidated financial statements, respectively.	We assessed management's assessment of net realisable value of inventories by: • sample checking the ageing of the inventories balances and past sales/utilisation history; • comparing the estimated selling prices and estimated selling costs to the historical data and market data (when appropriate); • reviewing subsequent sales/utilisation of inventories; and • assessing the adequacy of related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
29 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	5	**1,497,643**	3,361,325
Cost of sales		**(1,451,485)**	(2,699,447)
Gross profit		**46,158**	661,878
Other income and gains, net	5	**4,334**	7,928
Selling and distribution expenses		**(14,758)**	(22,179)
Administrative expenses		**(398,142)**	(377,739)
Impairment of trade receivables, net		**(1,168,325)**	(75,519)
Impairment of contract assets, net		**(970)**	(111)
Other expenses, net		**(301,215)**	(78,911)
Finance costs	6	**(316,181)**	(232,814)
Share of profits and losses of joint ventures		**(705,903)**	(198,732)
LOSS BEFORE TAX	7	**(2,855,002)**	(316,199)
Income tax credit	10	**957**	35,489
LOSS FOR THE YEAR		**(2,854,045)**	(280,710)
Attributable to:			
Owners of the Company		**(2,853,972)**	(316,852)
Non-controlling interests		**(73)**	36,142
		(2,854,045)	(280,710)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK(76.18) cents**	HK(11.78) cents
Diluted		**HK(76.18) cents**	HK(11.78) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR	(2,854,045)	(280,710)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of hedging instruments arising during the year	(73)	9,490
Reclassification adjustments included in the consolidated statement of profit or loss	(7,784)	(262)
	(7,857)	9,228
Exchange differences on translation of foreign operations	10,270	(24,950)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	2,413	(15,722)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,851,632)	(296,432)
Attributable to:		
Owners of the Company	(2,851,559)	(332,574)
Non-controlling interests	(73)	36,142
	(2,851,632)	(296,432)

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,177,427	2,463,736
Right-of-use assets	14(a)	35,920	101,509
Other intangible assets	15	8,997	39,674
Interests in joint ventures	16	991,780	1,736,089
Deposits and other receivables	19	54,169	5,227
Deferred tax assets	28	20,807	15,070
Total non-current assets		3,289,100	4,361,305
CURRENT ASSETS			
Inventories	17	1,029,465	1,169,538
Trade and bills receivables	18	1,616,207	2,903,136
Prepayments, deposits, other receivables and other assets	19	141,368	310,743
Derivative financial instrument	20	—	7,857
Tax recoverable		591	1,425
Restricted cash	21	12,259	11,981
Pledged deposits	22	1,100	22,996
Cash and cash equivalents	22	131,233	122,347
		2,932,223	4,550,023
Assets held for sale	32	14,304	—
Total current assets		2,946,527	4,550,023
CURRENT LIABILITIES			
Trade and bills payables	23	518,638	2,045,924
Other payables and accruals	24	753,481	409,732
Contract liabilities	25	233,777	227,539
Derivative financial instruments	20	6,508	2,361
Interest-bearing bank and other borrowings	26	2,717,007	2,921,234
Lease liabilities	14(b)	13,016	14,764
Tax payable		4,808	6,353
Provision for restoration	27	5,205	3,523
Total current liabilities		4,252,440	5,631,430
NET CURRENT LIABILITIES		(1,305,913)	(1,081,407)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,983,187	3,279,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Other payables	24	1,259	40,738
Interest-bearing other borrowings	26	50,194	—
Lease liabilities	14(b)	42,392	88,061
Provision for restoration	27	279	2,960
Deferred tax liabilities	28	5,553	8,082
Total non-current liabilities		99,677	139,841
Net assets		1,883,510	3,140,057
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	668,315	270,169
Reserves	31	1,215,215	2,869,235
		1,883,530	3,139,404
Non-controlling interests		(20)	653
Total equity		1,883,510	3,140,057

Kang Hubiao
Director

Lam Yee Chun
Director

		Attributable to owners of the Company													
	Notes	Share capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 (note 31(a))	Capital reserve HK$'000 (note 31(b))	Share option reserve HK$'000 (note 31(c))	Shares held under the share award scheme HK$'000 (note 30)	Asset revaluation reserve HK$'000	Cash flow hedge reserve HK$'000	Statutory reserve funds HK$'000 (note 31(d))	Exchange fluctuation reserve HK$'000 (note 31(e))	Retained profits HK$'000	Total K$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
Loss for the year		–	–	–	–	–	–	–	–	–	–	(316,852)	(316,852)	36,142	(280,710)
Other comprehensive income/(loss) for the year:															
Cash flow hedges:															
Changes in fair value of hedging instruments arising during the year	20	–	–	–	–	–	–	–	9,490	–	–	–	9,490	–	9,490
Reclassification adjustments included in the consolidated statement of profit or loss	20	–	–	–	–	–	–	–	(262)	–	–	–	(262)	–	(262)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(24,950)	–	(24,950)	–	(24,950)
Total comprehensive loss for the year		–	–	–	–	–	–	–	9,228	–	(24,950)	(316,852)	(332,574)	36,142	(296,432)
Deconsolidation of subsidiaries	33(b)	–	–	–	–	–	–	–	–	–	–	–	–	(92,471)	(92,471)
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(1,872)	–	–	–	–	–	1,872	–	–	–
Equity-settled share-based payment arrangement	30	–	–	–	–	–	3,479	–	–	–	–	(2,679)	800	–	800
Purchases of shares for the share award scheme	30	–	–	–	–	–	(4,287)	–	–	–	–	–	(4,287)	–	(4,287)
Transfer to retained profits		–	–	–	–	–	–	(17,062)	–	–	–	17,062	–	–	–
Transfer to statutory reserve funds		–	–	–	–	–	–	–	–	721	–	(721)	–	–	–
At 31 December 2022 and at 1 January 2023		270,169	1,892,072	(15,458)	146,985	–	(36,698)	–	7,857	35,919	(130,315)	968,873	3,139,404	653	3,140,057
Loss for the year		–	–	–	–	–	–	–	–	–	–	(2,853,972)	(2,853,972)	(73)	(2,854,045)
Other comprehensive income/(loss) for the year:															
Cash flow hedge:															
Changes in fair value of hedging instrument arising during the year	20	–	–	–	–	–	–	–	(73)	–	–	–	(73)	–	(73)
Reclassification adjustments included in the consolidated statement of profit or loss	20	–	–	–	–	–	–	–	(7,784)	–	–	–	(7,784)	–	(7,784)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	10,270	–	10,270	–	10,270
Total comprehensive loss for the year		–	–	–	–	–	–	–	(7,857)	–	10,270	(2,853,972)	(2,851,559)	(73)	(2,851,632)
Issue of shares	29	398,146	1,211,876	–	–	–	–	–	–	–	–	–	1,610,022	–	1,610,022
Share issue expenses	29	–	(14,337)	–	–	–	–	–	–	–	–	–	(14,337)	–	(14,337)
Transfer to statutory reserve funds		–	–	–	–	–	–	–	–	545	–	(545)	–	–	–
Dividend paid to a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(600)	(600)
At 31 December 2023		668,315	3,089,611*	(15,458)*	146,985*	–*	(36,698)*	–*	–*	36,464*	(120,045)*	(1,885,644)*	1,883,530	(20)	1,883,510

* These reserve accounts comprise the consolidated reserves of HK$1,215,215,000 (2022: HK$2,869,235,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,855,002)	(316,199)
Adjustments for:			
Share of profits and losses of joint ventures		705,903	198,732
Bank interest income	5	(1,063)	(1,846)
Gain on disposal of items of property, plant and equipment, net	5	(1,087)	—
Gain on deconsolidation of subsidiaries	5	—	(2,189)
Finance costs	6	316,181	232,814
Depreciation of property, plant and equipment	7	241,041	254,820
Depreciation of right-of-use assets	7	16,211	17,005
Amortisation of intangible assets	7	—	1,439
Covid-19-related rent concessions from lessors	7	—	(120)
Gain on early termination of a lease	7	(5)	(5)
Fair value losses on derivative financial instruments	7	5,107	1,749
Impairment of property, plant and equipment	7	13,312	9,805
Impairment of trade receivables, net		1,168,325	75,519
Impairment of contract assets, net		970	111
Impairment of right-of-use assets	7	10,511	—
Impairment of intangible assets	7	32,045	—
Loss on disposal of items of property, plant and equipment, net	7	—	2,734
Loss on disposal of subsidiaries	33(a)	7,166	—
Loss on reassessment of lease term	7	3,601	—
Write-off of property, plant and equipment	7	55,464	—
Write-down of inventories to net realisable value	7	17,050	4,325
Reversal of write-down of inventories to net realisable value	7	(1,331)	(8,250)
Equity-settled share-based payment expense	30	—	800
Realisation of unrealised profits on transactions between the Group and joint ventures, net		(342)	(3,699)
		(265,943)	467,545
Decrease in inventories		123,494	52,834
Decrease/(increase) in trade and bills receivables		124,428	(365,961)
Decrease in prepayments, deposits, other receivables and other assets		145,234	123,181
Decrease in trade and bills payables		(109,434)	(45,629)
Increase/(decrease) in other payables and accruals		218,299	(10,826)
Increase in contract liabilities		2,713	121,821
Decrease in provision of restoration		(1,434)	(2,154)
Cash generated from operations		237,357	340,811
Interest element of lease payments	34(b)	(3,683)	(3,502)
Hong Kong profits tax paid		(4,215)	(6,739)
Overseas taxes paid		(2,513)	(21,065)
Net cash flows from operating activities		226,946	309,505

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,063**	1,846
Purchases of items of property, plant and equipment		**(98,243)**	(167,258)
Deposits paid for purchases of property, plant and equipment		**—**	(2,809)
Proceeds from disposal of items of property, plant and equipment		**—**	7,844
Proceeds from early termination of derivative financial instrument		**7,784**	—
Disposal of subsidiaries	33(a)	**(52)**	—
Deconsolidation of subsidiaries	33(b)	**—**	(44,380)
Investments in joint ventures		**(4,123)**	(5,074)
Distributions from joint ventures		**43,123**	—
Increase in restricted cash		**(278)**	(28,166)
Decrease in pledged deposits		**21,425**	13,093
Net cash flows used in investing activities		**(29,301)**	(224,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**228,030**	—
Share issue expenses		**(11,471)**	—
Purchases of shares for the share award scheme	30	**—**	(4,287)
Repayment of senior notes	34(b)	**—**	(13,435)
New bank borrowings, net of debt establishment costs	34(b)	**1,744,033**	2,791,041
New other borrowings	34(b)	**64,185**	—
Repayment of bank borrowings	34(b)	**(1,991,005)**	(2,989,770)
Repayment of other borrowings	34(b)	**(2,422)**	—
New loan from a subsidiary of a joint venture	34(b)	**106,080**	—
Repayment of loan to a subsidiary of a joint venture	34(b)	**(27,300)**	—
Repayment of loan to a non-controlling shareholder of a subsidiary	34(b)	**—**	(730)
Principal portion of lease payments	34(b)	**(12,565)**	(16,898)
Interest paid		**(276,682)**	(189,957)
Net cash flows used in financing activities		**(179,117)**	(424,036)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**18,528**	(339,435)
Cash and cash equivalents at beginning of year		**114,706**	452,930
Effect of foreign exchange rate changes, net		**(10,792)**	1,211
CASH AND CASH EQUIVALENTS AT END OF YEAR		**122,442**	114,706
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**131,233**	122,347
Bank overdrafts	26	**(8,791)**	(7,641)
		122,442	114,706

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the design, integration, sale and installation of engine-based electricity generation units and the provision of distributed power solutions, including the design of, investment in, building and operation of distributed power generation stations.

In the opinion of the directors, the immediate holding company of the Company is China National Technical Import & Export Corporation ("CNTIC"), a company established under the laws of the People's Republic of China ("PRC") with limited liability, and the ultimate holding company of the Company is China General Technology (Group) Holding Co., Ltd., a company also established under the laws of the PRC with limited liability and under the direct supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Crest Pacific Investments Limited ("Crest Pacific")	British Virgin Islands/Hong Kong	US$1,076	100	100	Investment holding
VPower Engineering (China) Limited	Hong Kong	HK$10,000,000	100	100	Investment holding and trading of engines and components
VPower Technology Limited	Hong Kong	HK$400,000	100	100	Trading of engines and components, and sale and installation of power generation systems
VPower Holdings Limited	Hong Kong	HK$1,000,000	100	100	Investment holding, trading of engines and components, and sale and installation of power generation systems
偉能機電設備(深圳)有限公司*	PRC/Chinese Mainland	HK$70,000,000	100	100	Manufacturing of power generation systems

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
VPower Group Holdings Limited	Hong Kong	HK$10,000	100	100	Investment holding and provision of distributed power solutions
VPower Myanmar Limited	Hong Kong	HK$1	100	100	Provision of distributed power solutions
偉能新能源科技(臨沂)有限公司*	PRC/Chinese Mainland	US$5,000,000	100	100	Provision of distributed power solutions
VP Flexgen (Brazil) Spe Ltda.	Brazil	Brazilian Real ("BRL") 80,791,089	100	100	Provision of distributed power solutions
VP Flexgen Limited	United Kingdom	Great British Pound ("GBP") 1	100	100	Investment holding, provision of distributed power solutions and trading of engines and components and sale and installation of power generation systems

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2023, the Group incurred a net loss of HK$2,854.0 million and the Group had net current liabilities of HK$1,305.9 million as at 31 December 2023. The current liabilities included bank and other borrowings of HK$2,330.6 million which have all been classified as current liabilities because the Group has failed to repay these bank and other borrowings in accordance with the repayment schedules during the year and up to the date of approval of these financial statements, and the Group also did not meet certain loan covenants of the relevant bank borrowings. The Group has cash and cash equivalents amounted to HK$131.2 million as at 31 December 2023. Subsequent to the end of the reporting period and up to the date of approval of these financial statements, the Group has not yet obtained any waiver confirmation in writing from the relevant banks on its non-repayment of outstanding loan amounts due, and non-compliance with certain loan covenants.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (Continued)

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company are undertaking a number of plans and measures to improve the Group's liquidity and financial position, including, *inter alia*:

(i) During the year and subsequent to the reporting period end, the Company's controlling shareholder and its affiliates have provided and will continue to provide financial support to enable the Group to continue operating as a going concern for the next 12 months from the reporting period end;

(ii) In March and April 2024, some of the existing creditor banks have agreed to extend the repayment dates of certain outstanding bank loans;

(iii) Ongoing discussions with creditor banks on obtaining the waiver for breach of covenants and non-repayment of outstanding loans until the Company can complete its contemplated funding plan together with its controlling shareholder which may include, *inter alia*, renewal of existing bank borrowings and obtaining a new syndicated loan and/or other financing arrangements;

(iv) Implementing measures to speed up the collection of outstanding trade and other receivables; and

(v) Exploring other debt or equity financing arrangements.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than 12 months from 31 December 2023. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months from 31 December 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 28 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12. Apart from the above, the amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in joint ventures

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

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

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

Business combinations and goodwill

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

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

Fair value measurement

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and are not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets held for sale

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Concession right

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

Grid and related development rights

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments.

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

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

Derecognition of financial assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement (Continued)

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

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

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

Financial liabilities at amortised cost (trade and other payables and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (Continued)

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

Cash flow hedges

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

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

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

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

Shares held under the share award scheme

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

Inventories

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

Income tax

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Sale of engine-based electricity generation units

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) ***Construction services***

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

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

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

(c) ***Distributed power solutions***

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

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

(d) ***Technical services***

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from other sources

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

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

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

Contract costs

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

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

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

Share-based payments

The Company operates share option schemes and a share award scheme. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees and consultants render services in exchange for equity instruments ("equity-settled transactions").

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Revenue from contracts with customers (Continued)

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

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

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

Classification between property, plant and equipment and inventories

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

Income taxes

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amounts of property, plant and equipment, right-of-use assets and intangibles assets of the Group are disclosed in notes 13, 14 and 15, to the financial statements, respectively.

Provision for expected credit losses on trade receivables and contract assets

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

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

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

The assessment of the correlation among historical observed default rates, probability of default, loss given default, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience, determination of probability of default and loss given default and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 18 and 19 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability/usability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability/usability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2023, the carrying amount of inventories was HK$1,029,465,000 (2022: HK$1,169,538,000).

4. OPERATING SEGMENT INFORMATION

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

(a) the SI segment designs, integrates, sells and installs engine-based electricity generation units; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, non-lease-related finance costs, fair value losses on 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 instrument, tax recoverable, restricted cash, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue *(note 5)*			
Sales to external customers	675,322	822,321	1,497,643
Intersegment sales	14,283	—	14,283
Total segment revenue	689,605	822,321	1,511,926
Reconciliation:			
Elimination of intersegment sales			(14,283)
Revenue			1,497,643
Segment results	(1,399,696)	(1,090,121)	(2,489,817)
Reconciliation:			
Elimination of intersegment results			(923)
Bank interest income			1,063
Corporate and unallocated expenses, net			(52,827)
Finance costs (other than interest on lease liabilities)			(312,498)
Loss before tax			(2,855,002)
Segment assets	2,376,048	2,841,145	5,217,193
Reconciliation:			
Corporate and unallocated assets			1,018,434
Total assets			6,235,627
Segment liabilities	1,053,887	496,087	1,549,974
Reconciliation:			
Corporate and unallocated liabilities			2,802,143
Total liabilities			4,352,117
Other segment information:			
Share of losses of joint ventures	—	710,586	710,586
Impairment of property, plant and equipment	—	13,312	13,312
Impairment of right-of-use assets	—	10,511	10,511
Impairment of intangible assets	—	32,045	32,045
Impairment/(reversal of impairment) of trade receivables, net	1,177,077	(8,752)	1,168,325
Impairment of contract assets, net	970	—	970
Gain on disposal of items of property, plant and equipment, net	—	(1,087)	(1,087)
Write-off of property, plant and equipment	—	55,464	55,464
Write-down of inventories to net realisable value	15,946	1,104	17,050
Reversal of write-down of inventories to net realisable value	(1,331)	—	(1,331)
Depreciation of property, plant and equipment*	1,407	238,558	239,965
Depreciation of right-of-use assets	11,735	4,476	16,211
Interests in joint ventures	—	186,902	186,902
Capital expenditure	187	99,142	99,329

* Depreciation of property, plant and equipment excludes depreciation charges of HK$1,076,000 for corporate assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	SI HK$'000	IBO HK$'000	Total HK$'000
Segment revenue *(note 5)*			
Sales to external customers	1,945,437	1,415,888	3,361,325
Intersegment sales	11,383	—	11,383
Total segment revenue	1,956,820	1,415,888	3,372,708
Reconciliation:			
Elimination of intersegment sales			(11,383)
Revenue			3,361,325
Segment results	146,872	(164,874)	(18,002)
Reconciliation:			
Elimination of intersegment results			(353)
Bank interest income			1,846
Corporate and unallocated expenses, net			(70,378)
Finance costs (other than interest on lease liabilities)			(229,312)
Loss before tax			(316,199)
Segment assets	3,853,241	3,988,437	7,841,678
Reconciliation:			
Corporate and unallocated assets			1,069,650
Total assets			8,911,328
Segment liabilities	2,282,857	539,641	2,822,498
Reconciliation:			
Corporate and unallocated liabilities			2,948,773
Total liabilities			5,771,271
Other segment information:			
Share of losses of joint ventures	—	199,832	199,832
Impairment of property, plant and equipment	—	9,805	9,805
Impairment of trade receivables, net	187	75,332	75,519
Impairment of contract assets, net	111	—	111
Loss/(gain) on disposal of items of property, plant and equipment, net	38	(2,772)	(2,734)
Write-down of inventories to net realisable value	2,617	1,708	4,325
Reversal of write-down of inventories to net realisable value	(8,250)	—	(8,250)
Depreciation of property, plant and equipment*	2,696	251,049	253,745
Depreciation of right-of-use assets	12,340	4,665	17,005
Amortisation of intangible assets	—	1,439	1,439
Interests in joint ventures	—	896,894	896,894
Capital expenditure	201	156,630	156,831

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2023 HK$'000	2022 HK$'000
Hong Kong, Macau and Chinese Mainland	194,502	201,295
Other Asian countries	571,258	2,095,549
Latin America	692,103	974,814
Other countries	39,780	89,667
Total revenue	1,497,643	3,361,325

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

(b) Non-current assets

	2023 HK$'000	2022 HK$'000
Hong Kong and Chinese Mainland	895,195	1,667,677
Other Asian countries	1,571,144	1,862,740
Latin America	515,890	477,075
Other countries	231,895	336,448
Total non-current assets	3,214,124	4,343,940

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

Information about major customers

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

	2023 HK$'000	2022 HK$'000
Customer A#	692,103	691,398
Customer B^	403,510	1,202,691

^ Reported in the SI segment

Reported in the IBO segment

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers	1,497,643	3,361,325

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	SI HK$'000	IBO HK$'000	Total HK$'000
Types of goods or services			
Sale of engine-based electricity generation units	668,229	—	668,229
Construction services	3,556	—	3,556
Provision of technical services	3,537	—	3,537
Provision of distributed power solutions	—	822,321	822,321
Total	675,322	822,321	1,497,643
Geographical markets			
Hong Kong, Macau and Chinese Mainland	166,653	27,849	194,502
Other Asian countries	473,189	98,069	571,258
Latin America	—	692,103	692,103
Other countries	35,480	4,300	39,780
Total	675,322	822,321	1,497,643
Timing of revenue recognition			
Goods transferred at a point in time	668,229	—	668,229
Services transferred over time	7,093	822,321	829,414
Total	675,322	822,321	1,497,643

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

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2022

Segments	SI HK$'000	IBO HK$'000	Total HK$'000
Types of goods or services			
Sale of engine-based electricity generation units	1,930,377	—	1,930,377
Construction services	3,697	—	3,697
Provision of technical services	11,363	—	11,363
Provision of distributed power solutions	—	1,415,888	1,415,888
Total	1,945,437	1,415,888	3,361,325
Geographical markets			
Hong Kong, Macau and Chinese Mainland	174,127	27,168	201,295
Other Asian countries	1,724,137	371,412	2,095,549
Latin America	—	974,814	974,814
Other countries	47,173	42,494	89,667
Total	1,945,437	1,415,888	3,361,325
Timing of revenue recognition			
Goods transferred at a point in time	1,930,377	—	1,930,377
Services transferred over time	15,060	1,415,888	1,430,948
Total	1,945,437	1,415,888	3,361,325

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:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of engine-based electricity generation units	**64,621**	36, 775

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

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sale of engine-based electricity generation units

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

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of engine-based electricity generation units are a part of contracts that have an original expected duration of one year or less.

Construction services

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

Provision of distributed power solutions

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

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

Provision of technical services

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

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

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

	2023 HK$'000	2022 HK$'000
Bank interest income	1,063	1,846
Government grants*	632	934
Sales deposit forfeited	—	1,166
Gain on disposal of items of property, plant and equipment, net	1,087	—
Gain on deconsolidation of subsidiaries	—	2,189
Others	1,552	1,793
Total other income and gains, net	4,334	7,928

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on senior notes	—	22,542
Interest and other finance costs on letters of credit, bank loans and overdrafts	281,286	171,165
Interest on other borrowings	19,427	4,173
Net realised gains on cash flow hedges	(7,784)	(262)
Subtotal	292,929	197,618
Amortisation of debt establishment costs	17,157	25,838
Notional interest on trade and other payables	2,412	5,856
Interest on lease liabilities	3,683	3,502
Total	316,181	232,814

7. LOSS BEFORE TAX

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

	Notes	2023 HK$'000	2022 HK$'000
Cost of inventories sold		711,915	1,648,360
Cost of services provided		607,287	885,331
Auditor's remuneration		8,159	8,140
Depreciation of property, plant and equipment*	13	241,041	254,820
Depreciation of right-of-use assets	14(a)	16,211	17,005
Amortisation of intangible assets	15	—	1,439
Research and development cost		11,051	10,738
Lease payments not included in the measurement of lease liabilities	14(c)	7,395	9,841
Gain on early termination of a lease	14(c)	(5)	(5)
Loss on reassessment of lease term#	14(c)	3,601	—
Covid-19-related rent concessions from lessors	14(c)	—	(120)
Employee benefit expense (including directors' and chief executives' remuneration *(note 8)*):			
Wages, salaries, bonuses, allowances and benefits in kind		122,891	149,146
Equity-settled share-based payment expense	30	—	800
Pension scheme contributions (defined contribution schemes)@		9,445	10,902
Less: Government subsidies^		—	(1,653)
Total		132,336	159,195
Fair value losses on derivative financial instruments#		5,107	1,749
Foreign exchange differences, net#		47,848	58,989
Impairment of property, plant and equipment#	13	13,312	9,805
Impairment of right-of-use assets#	14(a)	10,511	—
Impairment of intangible assets#	15	32,045	—
Impairment of trade receivables, net	18	1,168,325	75,519
Impairment of contract assets, net	19	970	111
Loss/(gain) on disposal of items of property, plant and equipment, net		(1,087)	2,734#
Loss on disposal of subsidiaries#	33(a)	7,166	—
Write-off of property, plant and equipment#		55,464	—
Write-down of inventories to net realisable value#		17,050	4,325
Reversal of write-down of inventories to net realisable value*		(1,331)	(8,250)

* The cost of sales for the year included depreciation charges of HK$126,912,000 (2022: HK$167,857,000) and reversal of write-down of inventories to net realisable value of HK$1,331,000 (2022: HK$8,250,000).

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

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

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

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

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

	2023 HK$'000	2022 HK$'000
Fees	**1,626**	1,680
Other emoluments:		
Salaries, allowances and benefits in kind	**11,075**	11,007
Pension scheme contributions	**72**	72
Subtotal	**11,147**	11,079
Total	**12,773**	12,759

(a) Independent non-executive directors

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

	2023 HK$'000	2022 HK$'000
Dr. Wang Zheng*	**18**	—
Dr. Lin Tun*	**18**	—
Mr. Suen Wai Yu	**240**	240
Mr. David Tsoi^	**222**	240
Mr. Yeung Wai Fai Andrew^	**222**	240
Total	**720**	720

^ Mr. David Tsoi and Mr. Yeung Wai Fai Andrew resigned as independent non-executive directors of the Company with effect from 5 December 2023.

* Dr. Wang Zheng and Dr. Lin Tun were appointed as independent non-executive directors of the Company with effect from 5 December 2023.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

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

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2023				
Executive directors:				
Mr. Lam Yee Chun	**240**	**3,574**	**18**	**3,832**
Mr. Lee Chong Man Jason[@]	**222**	**2,517**	**18**	**2,757**
Mr. Lo Siu Yuen[@]	**222**	**2,730**	**18**	**2,970**
Dr. Kang Hubiao*	**—**	**—**	**—**	**—**
Mr. Lu Weijun*	**—**	**—**	**—**	**—**
Mr. Li Haifeng*	**—**	**—**	**—**	**—**
Mr. Jin Jiantang*	**—**	**132**	**—**	**132**
Non-executive directors:				
Ms. Chan Mei Wan[^]	**222**	**2,122**	**18**	**2,362**
Mr. Wong Kwok Yiu	**—**	**—**	**—**	**—**
Total	**906**	**11,075**	**72**	**12,053**
2022				
Executive directors:				
Mr. Lam Yee Chun	240	3,672	18	3,930
Mr. Lee Chong Man Jason	240	2,483	18	2,741
Mr. Lo Siu Yuen	240	2,730	18	2,988
Non-executive directors:				
Ms. Chan Mei Wan	240	2,122	18	2,380
Mr. Kwok Man Leung[~]	—	—	—	—
Mr. Wong Kwok Yiu[#]	—	—	—	—
Total	960	11,007	72	12,039

* Dr. Kang Hubiao, Mr. Lu Weijun, Mr. Li Haifeng and Mr. Jin Jiantang were appointed as executive directors of the Company with effect from 5 December 2023.

@ Mr. Lee Chong Man Jason and Mr. Lo Siu Yuen resigned as executive directors of the Company with effect from 5 December 2023.

^ Ms. Chan Mei Wan resigned as a non-executive director of the Company with effect from 5 December 2023.

Mr. Wong Kwok Yiu was appointed as a non-executive director of the Company with effect from 7 December 2022.

~ Mr. Kwok Man Leung resigned as a non-executive director of the Company with effect from 7 December 2022.

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

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2022: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2022: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	2,145	2,140
Pension scheme contributions (defined contribution scheme)	18	18
Total	2,163	2,158

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

	Number of employees	
	2023	2022
HK$2,000,001 to HK$2,500,000	1	1

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax was provided in the prior year at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. One subsidiary of the Group was a qualifying entity under the two-tiered profits tax rates regime in the prior year. The first HK$2,000,000 of assessable profits of that subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 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.

	2023 **HK$'000**	2022 HK$'000
Current — Hong Kong		
Charge for the year	**—**	1,791
Overprovision in prior years	**(145)**	(2,731)
Current — Elsewhere		
Charge for the year	**4,539**	21,719
Underprovision/(overprovision) in prior years	**1,669**	(419)
Deferred *(note 28)*	**(7,020)**	(55,849)
Total tax credit for the year	**(957)**	(35,489)

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

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(2,855,002)**	(316,199)
Tax at the Hong Kong statutory tax rate of 16.5% (2022: 16.5%)	**(471,075)**	(52,173)
Different tax rates enacted by specific countries/jurisdictions	**3,679**	9,259
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(711)**	(4,003)
Withholding taxes	**1,252**	11,214
Adjustments in respect of current tax of previous periods	**1,524**	(3,150)
Profits and losses attributable to joint ventures	**116,474**	32,791
Income derived from the IBO segment which was claimed offshore and not subject to tax in Hong Kong	**(15,925)**	(64,708)
Income not subject to tax	**(24,866)**	(25,651)
Expenses not deductible for tax	**124,593**	120,733
Tax losses utilised from previous periods	**(2,722)**	(5,216)
Tax losses not recognised	**68,258**	3,803
Temporary differences not recognised	**192,776**	—
Others	**5,786**	(58,388)
Tax credit at the Group's effective tax rate	**(957)**	(35,489)

11. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$2,853,972,000 (2022: HK$316,852,000), and the weighted average number of ordinary shares of 3,746,112,000 (2022: 2,690,427,000) in issue during the year, as adjusted to exclude the shares held under the share award scheme.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2023 as the Company has no potential dilutive ordinary shares. No adjustment was made to the basic loss per share amount presented for the years ended 31 December 2022 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Mobilisation and installation HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2023								
At 1 January 2023:								
Cost	180,643	10,830	241,188	3,272,319	20,025	16,583	79,006	3,820,594
Accumulated depreciation and impairment	(48,962)	(9,675)	(209,257)	(1,056,466)	(17,612)	(14,886)	–	(1,356,858)
Net carrying amount	131,681	1,155	31,931	2,215,853	2,413	1,697	79,006	2,463,736
At 1 January 2023, net of accumulated depreciation	131,681	1,155	31,931	2,215,853	2,413	1,697	79,006	2,463,736
Additions	2,367	–	1,421	44,119	6,399	–	45,023	99,329
Transfer to asset held for sale *(note 32)*	–	–	–	(14,304)	–	–	–	(14,304)
Depreciation provided during the year	(19,261)	(581)	(13,750)	(205,689)	(960)	(800)	–	(241,041)
Disposals/write-off	–	–	–	(94,869)	(3)	(217)	(55,464)	(150,553)
Transfers	–	–	–	–	530	–	(530)	–
Impairment *(note 7)*	–	–	–	(13,312)	–	–	–	(13,312)
Exchange realignment	7,175	(3)	439	23,284	(74)	(7)	2,758	33,572
At 31 December 2023, net of accumulated depreciation and impairment	121,962	571	20,041	1,955,082	8,305	673	70,793	2,177,427
At 31 December 2023:								
Cost	194,593	10,833	241,996	3,185,541	26,761	15,908	96,676	3,772,308
Accumulated depreciation and impairment	(72,631)	(10,262)	(221,955)	(1,230,459)	(18,456)	(15,235)	(25,883)	(1,594,881)
Net carrying amount	121,962	571	20,041	1,955,082	8,305	673	70,793	2,177,427

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Mobilisation and installation HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2022								
At 1 January 2022:								
Cost	180,225	11,034	228,446	4,033,360	25,061	19,926	89,109	4,587,161
Accumulated depreciation	(29,548)	(9,059)	(196,857)	(1,020,922)	(18,717)	(16,133)	–	(1,291,236)
Net carrying amount	150,677	1,975	31,589	3,012,438	6,344	3,793	89,109	3,295,925
At 1 January 2022, net of accumulated depreciation	150,677	1,975	31,589	3,012,438	6,344	3,793	89,109	3,295,925
Additions	2,314	46	7,335	123,021	808	–	23,307	156,831
Depreciation provided during the year	(18,221)	(652)	(12,682)	(220,102)	(1,107)	(2,056)	–	(254,820)
Disposals	(200)	(228)	–	(4,585)	(6)	–	(5,559)	(10,578)
Transfers	–	–	6,483	12,720	–	–	(19,203)	–
Impairment *(note 7)*	–	–	–	(9,805)	–	–	–	(9,805)
Deconsolidation of subsidiaries *(note 33(b))*	(9,557)	–	–	(699,304)	(3,487)	(12)	–	(712,360)
Exchange realignment	6,668	14	(794)	1,470	(139)	(28)	(8,648)	(1,457)
At 31 December 2022, net of accumulated depreciation and impairment	131,681	1,155	31,931	2,215,853	2,413	1,697	79,006	2,463,736
At 31 December 2022:								
Cost	180,643	10,830	241,188	3,272,319	20,025	16,583	79,006	3,820,594
Accumulated depreciation and impairment	(48,962)	(9,675)	(209,257)	(1,056,466)	(17,612)	(14,886)	–	(1,356,858)
Net carrying amount	131,681	1,155	31,931	2,215,853	2,413	1,697	79,006	2,463,736

As at 31 December 2023, certain of the Group's property, plant and equipment with a net carrying amount of HK$125,847,000 (2022: HK$74,347,000) were pledged to secure banking facilities and other borrowings granted to the Group (note 26).

As at 31 December 2023, the Group's management identified certain idle machinery and equipment after expiry of the terms of certain power generation agreements and assessed their recoverable amounts, which are estimated based on the fair value less costs of disposal using market approach with reference to market price of similar assets, with the assistance of an independent firm of professionally qualified valuers. Based on the assessment, an impairment loss of HK$13,312,000 (2022: HK$9,805,000) was recognised to write down the carrying amounts of certain machinery and equipment to their estimated recoverable amounts of HK$110,556,000 (2022: HK$62,922,000) as at 31 December 2023. The fair value measurement of the machinery and equipment is categorised within Level 2 of the fair value hierarchy.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2023, in relation to two power generation projects in the United Kingdom, the Group did not commence operation as agreed with National Grid and the corresponding capacity agreements were terminated by National Grid. The Group's management also decided to abandon another two power generation projects in the United Kingdom as they expect the construction of these power generation projects could not be completed before the longstop date in 2024. Accordingly, in relation to these four power generation projects in the United Kingdom the construction in progress of HK$25,344,000 was written off and the right-of-use asset and intangible assets of HK$10,511,000 (note 14) and HK$32,045,000 (note 15) were fully impaired, respectively, during the year.

During the year ended 31 December 2023, management also decided to abandon a power generation project in Indonesia and the corresponding construction in progress of HK$30,120,000 was written off.

14. LEASES

The Group as a lessee

The Group has lease contracts for its warehouses, factory premises, office premises, staff quarters, machinery, motor vehicles and office equipment used in its operations. The leases are negotiated for terms ranging from 1 to 20 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 5 to 40 (2022: 20 to 40) years, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

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

	Leasehold land HK$'000	Leased properties HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2022	89,037	25,820	411	1,324	19	116,611
Additions	—	1,369	43	542	—	1,954
Remeasurement on lease modifications	—	11,519	—	—	—	11,519
Early termination of a lease	—	—	—	(74)	—	(74)
Deconsolidation of subsidiaries *(note 33(b))*	—	(1,760)	—	—	—	(1,760)
Depreciation charge during the year	(2,659)	(13,637)	(223)	(477)	(9)	(17,005)
Exchange realignment	(9,220)	(525)	1	9	(1)	(9,736)
At 31 December 2022 and at 1 January 2023	**77,158**	**22,786**	**232**	**1,324**	**9**	**101,509**
Additions	**—**	**1,308**	**—**	**—**	**—**	**1,308**
Reassessment on lease term	**(42,669)**	**268**	**—**	**—**	**—**	**(42,401)**
Early termination of a lease	**—**	**—**	**—**	**(401)**	**—**	**(401)**
Impairment *(note 7)*	**(10,511)**	**—**	**—**	**—**	**—**	**(10,511)**
Depreciation charge during the year	**(3,049)**	**(12,593)**	**(206)**	**(357)**	**(6)**	**(16,211)**
Exchange realignment	**2,790**	**(163)**	**—**	**—**	**—**	**2,627**
As at 31 December 2023	**23,719**	**11,606**	**26**	**566**	**3**	**35,920**

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023 HK$'000	2022 HK$'000
At 1 January	**102,825**	117,707
New leases	**1,308**	1,954
Remeasurement on lease modifications	**—**	11,519
Reassessment of lease term	**(38,800)**	—
Early termination of a lease	**(406)**	(79)
Deconsolidation of subsidiaries *(note 33(b))*	**—**	(1,336)
Accretion of interest recognised during the year	**3,683**	3,502
Covid-19-related rent concessions from lessors	**—**	(120)
Payments during the year	**(16,248)**	(20,400)
Exchange realignment	**3,046**	(9,922)
At 31 December	**55,408**	102,825
Analysed into:		
Due within one year	**13,016**	14,764
Due in the second year	**7,511**	9,319
Due in the third to fifth years, inclusive	**9,918**	11,428
Due beyond five years	**24,963**	67,314
Total	**55,408**	102,825

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

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

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**3,683**	3,502
Depreciation charge of right-of-use assets	**16,211**	17,005
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**7,395**	9,841
Covid-19-related rent concessions from lessors	**—**	(120)
Impairment of right-of-use assets	**10,511**	—
Gain on early termination of a lease	**(5)**	(5)
Loss on reassessment of lease term	**3,601**	—
Total amount recognised in profit or loss	**41,396**	30,223

(d) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Grid and related development rights HK$'000	Concession right HK$'000	Total HK$'000
31 December 2023			
At 1 January 2023:			
Cost	39,674	—	39,674
Accumulated amortisation	—	—	—
Net carrying amount	39,674	—	39,674
Cost at 1 January 2023, net of accumulated amortisation	39,674	—	39,674
Impairment *(note 7)*	(32,045)	—	(32,045)
Exchange realignment	1,368	—	1,368
At 31 December 2023	8,997	—	8,997
At 31 December 2023:			
Cost	8,997	—	8,997
Accumulated amortisation	—	—	—
Net carrying amount	8,997	—	8,997
31 December 2022			
At 1 January 2022:			
Cost	44,292	56,300	100,592
Accumulated amortisation	—	(11,275)	(11,275)
Net carrying amount	44,292	45,025	89,317
Cost at 1 January 2022, net of accumulated amortisation	44,292	45,025	89,317
Amortisation provided during the year	—	(1,439)	(1,439)
Deconsolidation of subsidiaries *(note 33(b))*	—	(43,586)	(43,586)
Exchange realignment	(4,618)	—	(4,618)
At 31 December 2022	39,674	—	39,674
At 31 December 2022:			
Cost	39,674	—	39,674
Accumulated amortisation	—	—	—
Net carrying amount	39,674	—	39,674

16. INTERESTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Share of net assets	**991,780**	1,736,089

In January 2018, the Company and CITIC Pacific Limited ("CITIC Pacific"), through their respective subsidiaries, established Tamar VPower Energy Fund I, L.P. (the "Fund"). Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly-owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Company has committed an aggregate amount of US$105,000,000 (equivalent to HK$819,000,000) to subscribe for interest in the Fund through its own indirect wholly-owned subsidiary and the special limited partner of the Fund. As at 31 December 2023, the Group invested approximately HK$819,000,000 (2022: HK$814,877,000) in the Fund.

In September 2019, the Company and CNTIC, through their respective subsidiaries, established CNTIC VPower Group Holdings Limited ("CNTIC VPower"), which is indirectly owned as to 50% by each of the Company and CNTIC. CNTIC VPower, together with its subsidiaries, was principally engaged in the development and operation of three power generation projects in Myanmar. As at 31 December 2023, the Group invested approximately HK$700,444,000 (2022: HK$700,444,000) in CNTIC VPower.

On 30 June 2022, the shareholders' agreement of Genrent Peru and VPTM Iquitos (collectively, the "Genrent Peru Group"), the then 51%-owned subsidiaries of the Group, was amended, as further detailed in note 33(b) to the financial statements. The Group ceased to have control over the Genrent Peru Group and the Genrent Peru Group became joint ventures of the Group thereafter. The Group recognised its 51% equity interests in the Genrent Peru Group as interests in joint ventures.

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

			Percentage of			
Name	Registered capital/ Capital contribution	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Tamar VPower Energy Fund I, L.P.	US$201,982,117	Cayman Islands	50	50	50	Investment holding
CNTIC VPower Group Holdings Limited	US$179,601,000	Hong Kong	50	50	50	Development and operation of power generation projects
Genrent Peru	PEN57,318,175	Peru	51	50	51	Provision of distributed power solutions
VPTM Iquitos	PEN1,000	Peru	51	50	51	Provision of operation and maintenance services

The Group has discontinued the recognition of its share of loss of a joint venture, CNTIC VPower, because the share of loss of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further loss. The amounts of the Group's unrecognised share of loss of this joint venture for the current year was HK$635,138,000.

16. INTERESTS IN JOINT VENTURES (CONTINUED)

The above investments are indirectly held by the Company.

The Fund, CNTIC VPower and the Genrent Peru Group, which are considered material joint ventures of the Group, are accounted for using the equity method.

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

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	2,216	302
Other current assets	88	95
Current assets	2,304	397
Non-current assets	1,618,156	1,683,880
Current liabilities	(9,805)	(5,139)
Net assets	1,610,655	1,679,138
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture and carrying amount of the investment	805,327	839,569
Revenue	16,285	14,674
Profit and total comprehensive income for the year	9,517	2,346
Distributions received	43,123	—

16. INTERESTS IN JOINT VENTURES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	58,609	243,110
Other current assets	323,643	663,333
Current assets	382,252	906,443
Non-current assets	3,362,523	5,068,474
Current liabilities	(4,883,040)	(4,294,631)
Non-current liabilities	(109,847)	(224,468)
Net assets/(liabilities)	(1,248,112)	1,455,818
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	–	727,909
Elimination of unrealised profits on transactions between the Group and the joint venture	–	(11,695)
Carrying amount of the investment	–	716,214
Revenue	54,194	–
Other income	340,439	386,498
Loss and total comprehensive loss for the year	(2,703,386)	(401,162)

16. INTERESTS IN JOINT VENTURES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	46,780	71,171
Other current assets	244,252	214,184
Current assets	291,032	285,355
Non-current assets	881,473	920,540
Current liabilities	(135,871)	(110,457)
Non-current liabilities	(670,159)	(741,171)
Net assets	366,475	354,267
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	51%	51%
Group's share of net assets of the joint venture and carrying amount of the investment	186,902	180,676
Revenue	645,294	303,738
Other income	6,107	1,532
Depreciation and amortisation	(41,519)	(22,106)
Interest expenses	(48,296)	(22,368)
Tax	(13,985)	(6,692)
Profit and total comprehensive income for the year	12,206	1,468

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

	2023 HK$'000	2022 HK$'000
Share of the joint ventures' losses and total comprehensive losses for the year	74	73
Aggregate carrying amount of the Group's interests in the joint ventures	(449)	(370)

17. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	100,788	91,933
Work in progress	17,710	10,682
Finished goods	769,182	908,330
Spare parts and consumables	141,785	158,593
Total	1,029,465	1,169,538

As at 31 December 2023, certain of the Group's inventories with a net carrying amount of HK$161,454,000 (2022: HK$310,286,000) were pledged to secure banking facilities granted to the Group (note 26).

18. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	2,873,815	2,997,402
Bills receivable	402	3,336
Impairment	(1,258,010)	(97,602)
Net carrying amount	1,616,207	2,903,136

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods range from 30 to 360 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from subsidiaries of a joint venture of HK$1,152,417,000 (2022: HK$1,716,533,000), which are repayable within a credit period of 360 days (2022: 360 days) and overdue (2022: overdue).

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

	2023 HK$'000	2022 HK$'000
Within 90 days	106,477	566,405
91 to 180 days	77,514	152,765
181 to 360 days	344,673	328,209
Over 360 days	1,087,543	1,855,757
Total	1,616,207	2,903,136

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	SI segment HK$'000	IBO segment HK$'000	Total HK$'000
At 1 January 2022	2,571	37,129	39,700
Impairment losses, net *(note 7)*	187	75,332	75,519
Amount written off as uncollectible	(365)	(16,748)	(17,113)
Exchange realignment	(62)	(442)	(504)
At 31 December 2022 and at 1 January 2023	2,331	95,271	97,602
Impairment losses/(reversal of impairment losses), net *(note 7)*	1,177,077	(8,752)	1,168,325
Amount written off as uncollectible	(7,942)	—	(7,942)
Exchange realignment	(46)	71	25
At 31 December 2023	1,171,420	86,590	1,258,010

SI segment

Subsidiaries of a joint venture

An impairment analysis was performed on the gross amounts due from subsidiaries of a joint venture of HK$1,720,760,000 (2022: HK$1,716,533,000) as at 31 December 2023 by considering the probability of default of counterparty. The Group also took into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2023, the probability of default applied was 100% (2022: 10.99%) as the credit risk of the counterparties increased during the year and the trade receivables are unlikely to be repaid in full when they are called upon, the loss given default was estimated to be 32.87% (2022: 0%) based on (i) the fair value of the expected cash flows from the renegotiated settlement to be received from the subsidiary of a joint venture; (ii) the fair value less costs of disposal of the engine-based electricity generation units expected to be taken possession of by the Group; and (iii) the probability-weighted outcome considering the legal and regulatory restrictions on taking possession of the engine-based electricity generation units, as the Group has the right to monetise certain engine-based electricity generation units from a subsidiary of the joint venture and the fair value of the engine-based electricity generation units as at 31 December 2023 was lower (2022: higher) than the carrying amount of the receivables. The loss allowance as at 31 December 2023 was HK$568,343,000 (2022: Nil).

Other trade debtors

An impairment analysis was performed on the gross amounts due from certain customers of HK$924,853,000 as at 31 December 2023 by considering the probability of default of counterparty (2022: using a provision matrix). The change in the approach of impairment analysis during the year was mainly due to the trade receivables from these customers no longer shared similar credit risk characteristics as other trade receivables of the SI segment and the probability of default approach was considered more appropriate under the current circumstances. The Group also took into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economics conditions, as appropriate. As at 31 December 2023, the probability of default applied was 100%, the loss given default was estimated to be 61.8% and the loss allowance was HK$600,187,000.

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

SI segment (Continued)

Other trade debtors (Continued)

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

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

As at 31 December 2023

		Past due			
	Current	**1 to 30 days**	**31 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	**1.03%**	**10.46%**	**25%**	**46.07%**	**10.66%**
Gross carrying amount (HK$'000)	**20,815**	**631**	**4**	**5,661**	**27,111**
Expected credit losses (HK$'000)	**215**	**66**	**1**	**2,608**	**2,890**

As at 31 December 2022

		Past due			
	Current	1 to 30 days	31 to 90 days	Over 90 days	Total
Expected credit loss rate	0.05%	0.43%	1.23%	16.79%	0.24%
Gross carrying amount (HK$'000)	855,663	89,537	2,061	8,652	955,913
Expected credit losses (HK$'000)	469	384	25	1,453	2,331

IBO segment

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. The Group also takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2023, the probability of default applied ranged from 0.01% to 100% (2022: 0.01% to 100%), and the loss given default was estimated to be 60.1% to 100% (2022: 59.1% to 100%).

Bills receivable

The Group applies a general approach in calculating ECLs for bills receivable. The Group classifies such instruments as Stage 1 and measures ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. As at 31 December 2023 and 2022, all of the bills receivable were not past due and the expected credit losses were assessed to be minimal.

19. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 HK$'000	2022 HK$'000
Prepayments	25,616	162,946
Deposits paid for purchases of property, plant and equipment	—	2,932
Deposits and other receivables	161,848	120,306
Due from joint ventures	2,821	22,476
Contract assets *(note)*	5,252	7,310
Total	195,537	315,970
Current portion included in prepayments, deposits, other receivables and other assets	(141,368)	(310,743)
Non-current portion	54,169	5,227

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

The financial assets included in the above balances relate to deposits, other receivables and amounts due from joint ventures for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

Note:

	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Contract assets arising from sale of engine-based electricity generation units and construction services	5,946	7,486	8,271
Impairment	(694)	(176)	(74)
Net carrying amount	5,252	7,310	8,197

Contract assets are initially recognised for revenue earned from the sale of engine-based electricity generation units and the provision of related construction services as the receipt of consideration is conditional on successful completion of installation of the engine-based electricity generation units and construction, respectively. Included in contract assets are retention receivables. The retention receivables recognised as contract assets are reclassified to trade receivables after a retention period ranging from one to two years from the date of completion of the installation or construction. The decrease in contract assets in 2023 and 2022 was the result of the decrease in the ongoing sale of engine-based electricity generation units and the provision of construction services at the end of the year.

During the year ended 31 December 2023, a loss allowance of HK$970,000 (2022: HK$111,000) was recognised for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 18 to the financial statements.

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

Note: (Continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 HK$'000	2022 HK$'000
Within one year	5,252	2,636
After one year	—	4,674
Total contract assets	5,252	7,310

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

	2023 HK$'000	2022 HK$'000
At beginning of year	176	74
Impairment losses, net *(note 7)*	970	111
Amount written off as uncollectible	(440)	—
Exchange realignment	(12)	(9)
At end of year	694	176

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

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

As at 31 December

	2023	2022
Expected credit loss rate	11.67%	2.35%
Gross carrying amount (HK$'000)	5,946	7,486
Expected credit losses (HK$'000)	694	176

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 Assets HK$'000	2023 Liabilities HK$'000	2022 Assets HK$'000	2022 Liabilities HK$'000
Forward currency contracts	—	6,508	—	2,361
Interest rate swaps	—	—	7,857	—
Total	—	6,508	7,857	2,361

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to HK$5,107,000 (2022: HK$1,749,000) were charged to the consolidated statement of profit or loss during the year.

The Group has also entered into interest rate swap contracts to hedge the exposure to the changes in market interest rates of certain unsecured loans. As at 31 December 2022, the Group had an interest rate swap contract in place with a notional amount of US$21,250,000 whereby it received interest at a variable rate based on the London Interbank Offered Rate ("LIBOR") on the notional amount and paid interest at a fixed rate of 1.04%.

The swaps are designated as hedging instruments in cash flow hedges of the future cash outflows of interests arising from certain unsecured loans (note 26). The unsecured loans and the interest rate swap contracts have the same contractual terms. The hedges of the interest rate swaps were assessed to be effective, and the net gain/(loss) on cash flow hedges was as follows:

	2023 HK$'000	2022 HK$'000
Total fair value gain/(loss) recognised in cash flow hedge reserve	(73)	9,490
Amount reclassified from cash flow hedge reserve to the consolidated statement of profit or loss and included in finance costs *(note 6)*	(7,784)	(262)
Net gain/(loss) on cash flow hedges	(7,857)	9,228

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

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedge ineffectiveness can arise from:

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

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness for the year ended 31 December 2023 of the hedging instruments is the same as that of the hedged items, equaling the amount of the total fair value loss recognised in the cash flow hedge reserve of HK$73,000 (2022: total fair value gain of HK$9,490,000) above.

21. RESTRICTED CASH

The Group is required to place certain amounts of cash in designated bank accounts in Hong Kong as secured deposits for the purpose of the repayment of principal and interest of the bank borrowings (note 26).

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2023 HK$'000	2022 HK$'000
Cash and bank balances		144,592	157,324
Less: Pledged deposits for banking facilities and bank borrowings	26	(1,100)	(22,996)
Less: Restricted cash	21	(12,259)	(11,981)
Cash and cash equivalents		131,233	122,347

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Hong Kong dollars	**10,799**	3,335
Euro ("EUR")	**1,263**	1,351
Renminbi ("RMB")	**6,697**	18,159
United States dollars ("USD")	**76,753**	83,839
Indonesian Rupiah ("IDR")	**1,893**	2,236
BRL	**26,553**	8,322
Others	**7,275**	5,105
Total	**131,233**	122,347

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

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

23. 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:

	2023 HK$'000	2022 HK$'000
Within 90 days	**112,178**	164,962
91 to 180 days	**12,891**	127,878
181 to 360 days	**4,605**	157,291
Over 360 days	**388,964**	1,595,793
Total	**518,638**	2,045,924

23. TRADE AND BILLS PAYABLES (CONTINUED)

Included in the Group's trade payables are amounts due to subsidiaries of a joint venture of HK$157,865,000 (2022: HK$181,957,000), which are repayable on demand, and amounts due to the controlling shareholder of HK$190,034,000 (2022: HK$1,537,353,000), which are repayable on demand.

Other trade and bills payables are non-interest-bearing and are normally settled on terms ranging from 30 to 360 days.

24. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Due to engineering, procurement and construction contractors ("EPC Contractors")	132,001	214,193
Sundry payables	215,378	77,691
Loan payables	156,780	78,000
Dividend payable	600	—
Accruals	249,981	80,586
Total	754,740	450,470
Current portion included in other payables and accruals	(753,481)	(409,732)
Non-current portion	1,259	40,738

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

The amounts due to EPC Contractors with a carrying amount as at 31 December 2023 of HK$132,001,000 (2022: HK$214,193,000) are repayable by instalments up to January 2024 (2022: January 2024).

In the prior year, included in the Group's sundry payables was an amount due to a subsidiary of a joint venture of HK$21,816,000, which was repayable on demand. Other sundry payables have an average term of 30 days.

As at 31 December 2023, the loan payables represented the amounts due to subsidiaries of a joint venture were unsecured, overdue, bore interest at a rate of 8% per annum and was repayable on demand. As at 31 December 2022, the loan payable to a subsidiary of a joint venture was unsecured, bore interest at a rate of 4% per annum and was repayable within one year.

25. CONTRACT LIABILITIES

	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Short-term advances received from customers			
Sale of engine-based electricity generation units	233,777	227,539	115,082

Contract liabilities are short-term advances received from customers for the sale of engine-based electricity generation units. The increase in contract liabilities in 2023 and 2022 were mainly due to the increase in short-term advances received from customers in relation to the sale of engine-based electricity generation units at the end of the year.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts — unsecured	5.32–19.5	2023	8,791	3.5–5.32	2023	7,641
Portions of bank loans due for repayment within one year or on demand — secured	8.36–16.61	2023	510,968	5.75–7.33	2023	553,332
Portions of bank loans due for repayment within one year or on demand — unsecured	4.52–13.18	2023–2024	2,122,118	1.75–7.78	2023–2024	2,297,086
Other borrowings — secured*	5.51–6.2	2023–2024	75,130	6.2	2023	63,175
Total — current			2,717,007			2,921,234
Non-current						
Other borrowings – secured*	5.51	2028	50,194	—	—	—
Total			2,767,201			2,921,234

* Including in the balance as at 31 December 2023 represented an other borrowing of HK$62.1 million received from an affiliate of the controlling shareholder, which bears interest of 5.5% per annum with a maturity term in 2028.

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

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

	2023 HK$'000	2022 HK$'000
Within one year	**2,717,007**	1,888,010
In the second year	**13,432**	1,033,224
In the third to fifth years, inclusive	**36,762**	—
Total	**2,767,201**	2,921,234

During the year ended 31 December 2023, the Group failed to repay some of these bank and other borrowings amounting to approximately HK$2,330.6 million, and the Group did not meet certain financial covenants and no waiver was obtained from the creditor banks as of 31 December 2023 and up to the approval of these consolidated financial statements. Management expects these bank borrowings will be repayable upon the completion of the financing arrangements undertaken by the Company, further details of which are set out in note 2.1 to the financial statements.

As at 31 December 2022, in respect of certain bank borrowings of approximately HK$2,311,720,000, the Group did not meet certain financial covenants of the relevant bank borrowings. Except for a bank borrowing of approximately HK$89,037,000, the Group has received from the creditor banks waiver confirmations in writing on its non-compliance with certain financial covenants in March and April 2023.

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

(i) the pledge of certain of the Group's property, plant and equipment with a net carrying amount of HK$125,847,000 (2022: HK$74,347,000) as at 31 December 2023 (note 13);

(ii) the pledge of certain of the Group's inventories with a net carrying amount of HK$161,454,000 (2022: HK$310,286,000) as at 31 December 2023 (note 17);

(iii) the pledge of certain of the Group's cash deposits amounting to HK$1,100,000 (2022: HK$22,996,000) as at 31 December 2023 (note 22);

(iv) certain debt service reserves in the form of restricted cash amounting to US$1,572,000 (equivalent to approximately HK$12,259,000) (2022: US$1,536,000 (equivalent to approximately HK$11,981,000)) as at 31 December 2023 (note 21); and

(v) the pledge of the issued share capital of a subsidiary of the Group as at 31 December 2023 and 31 December 2022.

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

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

	2023 HK$'000	2022 HK$'000
Hong Kong dollars	132,039	166,295
BRL	183,295	129,774
EUR	52,902	32,740
GBP	8,791	7,641
USD	2,310,133	2,572,561
RMB	77,878	12,223
United Arab Emirates Dirham	2,163	—
Total	2,767,201	2,921,234

27. PROVISION FOR RESTORATION

	2023 HK$'000	2022 HK$'000
At 1 January	6,483	26,370
Additional provision	431	290
Amount utilised during the year	(1,434)	(2,154)
Deconsolidation of subsidiaries *(note 33(b))*	—	(18,004)
Exchange alignment	4	(19)
At 31 December	5,484	6,483
Portion classified as current liabilities	(5,205)	(3,523)
Non-current portion	279	2,960

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

28. DEFERRED TAX

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

Deferred tax liabilities	Depreciation allowances in excess of related depreciation HK$'000	Right-of-use assets HK$'000	Withholding tax HK$'000	Intangible assets acquired in a business combination HK$'000	Total HK$'000
At 31 December 2021	95,526	–	11,935	9,848	117,309
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	3,364	–	–	3,364
At 1 January 2022 (restated)	95,526	3,364	11,935	9,848	120,673
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)* (restated)	(27,908)	1,170	(3,853)	(316)	(30,907)
Deconsolidation of subsidiaries (restated)	(30,639)	(591)	–	(9,532)	(40,762)
At 31 December 2022 and at 1 January 2023 (restated)	**36,979**	**3,943**	**8,082**	**–**	**49,004**
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 10)*	**(36,979)**	**(823)**	**(2,530)**	**–**	**(40,332)**
Gross deferred tax liabilities at 31 December 2023	**–**	**3,120**	**5,552**	**–**	**8,672**

28. DEFERRED TAX (CONTINUED)

Deferred tax assets	Lease liabilities HK$'000	Depreciation in excess of related depreciation allowances/Unrealised profits on inventories/ Others HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 31 December 2021	–	8,142	70,066	78,208
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	3,364	–	–	3,364
At 1 January 2022 (restated)	3,364	8,142	70,066	81,572
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 10)* (restated)	1,170	(1,304)	25,076	24,942
Deconsolidation of subsidiaries (restated)	(394)	(4,130)	(45,394)	(49,918)
Exchange realignment (restated)	(197)	(36)	(371)	(604)
At 31 December 2022 and at 1 January 2023 (restated)	**3,943**	**2,672**	**49,377**	**55,992**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 10)*	**(823)**	**620**	**(33,109)**	**(33,312)**
Exchange realignment	**–**	**19**	**1,227**	**1,246**
Gross deferred tax assets at 31 December 2023	**3,120**	**3,311**	**17,495**	**23,926**

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

	2023 HK$'000	2022 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,553)**	(8,082)
Net deferred tax assets recognised in the consolidated statement of financial position	**20,807**	15,070
Net deferred tax assets	**15,254**	6,988

28. DEFERRED TAX (CONTINUED)

As at 31 December 2023, the Group has tax losses arising in Hong Kong of HK$315,542,000 (2022: Nil) that are available indefinitely for offsetting against future taxable profits in which the losses arouse.

As at 31 December 2023, the Group also has tax losses arising in Chinese Mainland of HK$20,306,000 (2022: HK$15,165,000) that will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2023, the Group also has tax losses arising in Brazil of BRL10,875,000 equivalent to approximately HK$16,640,000 (2022: BRL8,407,000 (equivalent to approximately HK$12,770,000)) that will expire in three years for offsetting against future taxable profits.

As at 31 December 2022, the Group had tax losses arising in Sri Lanka of Sri Lankan Rupee 4,401,592,000 (equivalent to approximately HK$94,478,000) that would expire in six years for offsetting against future taxable profits.

Deferred tax assets of HK$68,258,000 (2022: HK$3,803,000) have not been recognised in respect of these losses they have arisen in subsidiaries that have been loss making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets of HK$192,776,000 (2022: Nil) have not been recognised in respect of the unrecognised temporary differences as it is not considered probable that taxable profits will be available against which the items can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 5% or 10%.

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

29. SHARE CAPITAL

Shares

	Note	**2023 HK$'000**	2022 HK$'000
Authorised:			
10,000,000,000 (2022: 5,000,000,000) ordinary shares of HK$0.1 each	(a)	**1,000,000**	500,000
Issued and fully paid:			
6,683,150,524 (2022: 2,701,693,013) ordinary shares of HK$0.1 each		**668,315**	270,169

29. SHARE CAPITAL (CONTINUED)

Shares (Continued)

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

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2022, at 31 December 2022 and at 1 January 2023		5,000,000,000	500,000
Increase in authorised share capital	(a)	5,000,000,000	500,000
At 31 December 2023		10,000,000,000	1,000,000

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2022, at 31 December 2022 and at 1 January 2023		2,701,693,013	270,169
Issue of shares for subscription by the new controlling shareholder	(b)	3,290,457,511	329,046
Issue of shares for placing to public shareholders	(b)	691,000,000	69,100
At 31 December 2023		6,683,150,524	668,315

(a) On 15 September 2023, an ordinary resolution was passed in the extraordinary general meeting of the Company to increase the authorised share capital of the Company from HK$500,000,000 divided into 5,000,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares by creation of an additional 5,000,000,000 new shares.

(b) On 26 September 2023, the Company completed a share subscription and allotted and issued 3,290,457,511 ordinary shares, at the subscription price of HK$0.42 per share, for a total subscription amount of HK$1,381,992,000 which was satisfied in full by way of application of and offsetting the trade payable by the Group to the subscriber. On the same day and simultaneously with the subscription, the Company allotted and issued 691,000,000 ordinary shares by placing to public placees at a placing price of HK$0.33 per share for a total proceeds of approximately HK$228,030,000 in cash, before expenses of HK$14,337,000 (including a payable of HK$2,866,000).

Share awards

Details of the Company's share award scheme are included in note 30 to the financial statements.

30. SHARE AWARD SCHEME

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

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

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

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

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

In the prior year, the Group purchased 5,100,000 of its own shares through the Trustee from the open market. The total amount paid to acquire the shares was approximately HK$4,287,000 and has been deducted from equity. As at 31 December 2023 and 2022, 13,667,000 shares were classified as treasury shares of the Company as they were not yet awarded to and vested with any Selected Participants.

The movements in the Company's shares held under the Share Award Scheme during the year ended 31 December 2022 are as follows:

	Number of ordinary shares '000	Shares held under the Share Award Scheme HK$'000
At 1 January 2022	9,487	35,890
Shares awarded	(920)	(3,479)
Purchases of shares for the Share Award Scheme	5,100	4,287
At 31 December 2022, at 1 January 2023 and at 31 December 2023	13,667	36,698

During the year, the Group did not recognise share-based payment expense (2022: HK$800,000).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 67 of the financial statements.

(a) Merger reserve

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

(b) Capital reserve

Capital reserve mainly represents the deemed capital contribution from Mr. Lam Yee Chun, a substantial shareholder and an executive director of the Company, in respect of (i) the disposal of 276,000 shares of Crest Pacific to certain employees and consultants at par value in 2012 in exchange for services rendered by the employees and consultants to the Group; (ii) the transfer of 10% equity interest in Crest Pacific in 2013 in exchange for the Group's acquisition of the remaining 20% equity interest in VPower Technology Limited from the non-controlling shareholder; and (iii) the disposal of 120,000 shares of Crest Pacific to a consultant at par value in 2013 in exchange for services rendered by the consultant to the Group; and the excess of the net asset value of Crest Pacific acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

(c) Share option reserve

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

(d) Statutory reserve funds

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

(e) Exchange fluctuation reserve

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

32. ASSETS HELD FOR SALE

During the year, the Group negotiated with an independent third party to dispose of a distributed power station and sales agreement was signed between the Group and the independent third party while certain testing criteria has not yet been fulfilled in Myanmar as at the reporting period end. In the opinion of the directors, the sale was considered highly probable and was expected to be completed within one year from the date of reclassification. Accordingly, the related distributed power station of HK$14,304,000 included in "Property, plant and equipment" were classified as assets held for sale as at 31 December 2023.

33. DISPOSAL OF SUBSIDIARIES AND DECONSOLIDATION OF SUBSIDIARIES

(a) During the year, the Group disposed of its entire 100% equity interest in Chance Victor Limited and Jasmine Castle Limited and its subsidiaries (the "Guatemala Group") for a consideration of approximately HK$10,000. The Guatemala Group was principally engaged in the provision of distributed power solutions, including the design of, investment in, building and operation of distributed power generation station. The transaction was completed on 11 August 2023.

The assets and liabilities of the Guatemala Group as at date of disposal were as follows:

	Note	2023 HK$'000
Net assets disposed of:		
Investment in joint venture		4
Prepayments, deposits and other receivables		8,044
Cash		62
Accruals, other payables and deposits received		(934)
		7,176
Loss on disposal of subsidiaries	7	(7,166)
		10
Satisfied by cash		10

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Guatemala Group is as follows:

	HK$'000
Cash consideration	10
Cash and cash equivalents disposed of	(62)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(52)

33. DISPOSAL OF SUBSIDIARIES AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

(b) On 30 June 2022, the shareholders' agreement of Genrent Peru and VPTM Iquitos, 51%-owned subsidiaries of the Group, was amended such that (i) the composition of the boards of directors of Genrent Peru and VPTM Iquitos is shared equally between the Group and shareholders holding an aggregate of 49% equity interests in Genrent Peru and VPTM Iquitos; and (ii) the shareholders' resolutions of Genrent Peru and VPTM Iquitos require consent of shareholders holding not less than two-thirds of the issued capital of Genrent Peru and VPTM Iquitos. In the opinion of the directors of the Company, after the amendment of the shareholders' agreement, the Group ceased to have control over the Genrent Peru Group and the Genrent Peru Group became joint ventures of the Group thereafter. Accordingly, the Group derecognised the assets and liabilities of the Genrent Peru Group and recognised its 51% equity interests in the Genrent Peru Group as interests in joint ventures.

	Notes	2022 HK$'000
Net assets deconsolidated:		
Property, plant and equipment	13	712,360
Right-of-use assets	14(a)	1,760
Goodwill		81,489
Other intangible assets	15	43,586
Deferred tax assets		18,885
Inventories		23,924
Trade receivables		53,249
Prepayments, deposits and other receivables		63,060
Tax recoverable		974
Restricted cash		87,283
Cash and cash equivalents		44,380
Trade payables		(2,141)
Other payables and accruals		(58,577)
Loan payable		(28,030)
Senior notes		(733,658)
Interest-bearing bank borrowings		(9,240)
Lease liabilities	14(b)	(1,336)
Tax payable		(223)
Provision of restoration	27	(18,004)
Deferred tax liabilities		(9,532)
Non-controlling interests		(92,471)
		177,738
Gain on deconsolidation of subsidiaries		2,189
Fair value of interests in joint ventures recognised		179,927

33. DISPOSAL OF SUBSIDIARIES AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

An analysis of the outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries is as follows:

	2022 HK$'000
Cash and cash equivalents deconsolidated and outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries	(44,380)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$1,308,000 (2022: HK$1,954,000) and HK$1,308,000 (2022: HK$1,954,000), respectively, in respect of lease arrangements for leased properties, a machine and a motor vehicle.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$268,000 (2022: HK$11,519,000) and HK$268,000 (2022: HK$11,519,000), respectively, in respect of lease modifications for leased properties.

During the year, the Group derecognised right-of-use assets and lease liabilities of HK$401,000 (2022: HK$74,000) and HK$406,000 (2022: HK$HK$79,000), respectively, in respect of early termination of a lease arrangement for a motor vehicle (2022: a leased property).

In the prior year, the Group derecognised right-of-use assets and lease liabilities of HK$1,760,000 and HK$1,336,000, respectively, in respect of deconsolidation of subsidiaries.

(ii) During the year, the Group had offsetted the capitalised EPC amount of HK$1,381,992,000 in trade payables, in respect of the 3,290,457,511 shares allotted and issued on 26 September 2023.

(iii) During the year, the Group had offsetted the proceeds from disposal of items of property, plant and equipment of HK$40,904,000 in trade payables, in respect of the agreed offsetting agreement with the counterparty.

(iv) In the prior year, the Group entered into financing arrangements with certain EPC Contractors in respect of property, plant and equipment with a total capital value at the inception of the financing arrangements of HK$92,057,000.

(v) The Group entered into contractual agreements in respect of its office premises and the power generation agreements in respect of its power generation assets. Pursuant to the terms and conditions of the contractual agreements and the power generation agreements, the Group is required to restore the office premises and the power generation sites to the conditions as stipulated in the agreements. During the year, the Group has accrued and capitalised the estimated restoration cost of HK$437,000 (2022: HK$290,000) when such obligation has arisen.

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

(b) Changes in liabilities arising from financing activities

	Dividend payable HK$'000	Loan payables HK$'000	Senior notes HK$'000	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2022	—	106,760	745,522	3,106,494	117,707
Changes from financing cash flows	—	(730)	(13,435)	(198,729)	(16,898)
Interest paid classified as operating cash flows	—	—	—	—	(3,502)
Decrease in bank overdrafts	—	—	—	(1,788)	—
Non-cash changes:					
Amortisation of debt establishment costs	—	—	1,571	24,267	—
New leases	—	—	—	—	1,954
Remeasurement on lease modifications	—	—	—	—	11,519
Early termination of a lease	—	—	—	—	(79)
Deconsolidation of subsidiaries *(note 33(b))*	—	(28,030)	(733,658)	(9,240)	(1,336)
Interest on lease liabilities	—	—	—	—	3,502
Covid-19-related rent concessions from lessors	—	—	—	—	(120)
Foreign exchange movement	—	—	—	230	(9,922)
At 31 December 2022 and 1 January 2023	—	78,000	—	2,921,234	102,825
Changes from financing cash flows	**—**	**78,780**	**—**	**(185,209)**	**(12,565)**
Interest paid classified as operating cash flows	**—**	**—**	**—**	**—**	**(3,683)**
Increase in bank overdrafts	**—**	**—**	**—**	**756**	**—**
Non-cash changes:					
Amortisation of debt establishment costs	**—**	**—**	**—**	**17,157**	**—**
New leases	**—**	**—**	**—**	**—**	**1,308**
Reassessment on lease term	**—**	**—**	**—**	**—**	**(38,800)**
Early termination of a lease	**—**	**—**	**—**	**—**	**(406)**
Interest on lease liabilities	**—**	**—**	**—**	**—**	**3,683**
Other change	**600**	**—**	**—**	**—**	**—**
Foreign exchange movement	**—**	**—**	**—**	**13,263**	**3,046**
At 31 December 2023	**600**	**156,780**	**—**	**2,767,201**	**55,408**

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

(c) Total cash outflow for leases

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

	2023 HK$'000	2022 HK$'000
Within operating activities	**11,078**	13,343
Within financing activities	**12,565**	16,898
Total	**23,643**	30,241

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2023 HK$'000	2022 HK$'000
Indemnity given to a financial institution for guarantee letter issued in relation to a power generation project undertaken by a joint venture	**–**	4,079

36. COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for:		
Power generation assets	**26,368**	71,091

In addition, the Group had the following commitment provided to a joint venture, which is not included in the above:

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for:		
Capital contribution	**–**	4,123

37. RELATED PARTY TRANSACTIONS

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

	2023 HK$'000	2022 HK$'000
Related companies:		
Lease payments*	1,800	1,560
Interest expense#	2,678	—
Subsidiaries of joint ventures:		
Provision of technical services	—	11,009
Sale of goods	10,618	28,432
Purchases of goods	16,812	—
Interest expense#	10,978	3,737

* The lease payments were charged by Orient Profit Investment Limited, a company controlled by a substantial shareholder of the Company, for the lease of staff quarters.

\# Interest expense was related to loan advanced and other borrowings, details of the terms thereof are disclosed in notes 24 and 26 to the financial statements, respectively.

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

(b) Compensation of key management personnel of the Group

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

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	14,392	16,132
Post-employment benefits	90	108
Equity-settled share-based payment expense	—	800
Total compensation paid to key management personnel	14,482	17,040

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets

	Financial assets at amortised cost HK$'000
Trade and bills receivables	1,616,207
Financial assets included in prepayments, deposits, other receivables and other assets	158,808
Restricted cash	12,259
Pledged deposits	1,100
Cash and cash equivalents	131,233
Total	1,919,607

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	—	518,638	518,638
Financial liabilities included in other payables and accruals	—	725,435	725,435
Derivative financial instruments	6,508	—	6,508
Interest-bearing bank and other borrowings	—	2,767,201	2,767,201
Lease liabilities	—	55,408	55,408
Total	6,508	4,066,682	4,073,190

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Financial assets at fair value through profit or loss — mandatorily measured at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade and bills receivables	—	2,903,136	2,903,136
Financial assets included in prepayments, deposits, other receivables and other assets	—	142,782	142,782
Derivative financial instrument	7,857	—	7,857
Restricted cash	—	11,981	11,981
Pledged deposits	—	22,996	22,996
Cash and cash equivalents	—	122,347	122,347
Total	7,857	3,203,242	3,211,099

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	—	2,045,924	2,045,924
Financial liabilities included in other payables and accruals	—	420,810	420,810
Derivative financial instruments	2,361	—	2,361
Interest-bearing bank and other borrowings	—	2,921,234	2,921,234
Lease liabilities	—	102,825	102,825
Total	2,361	5,490,793	5,493,154

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group did not have any financial assets measured at fair value as at 31 December 2023.

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	6,508	—	6,508

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instrument	—	7,857	—	7,857

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	2,361	—	2,361

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2023, after taking into account the effect of the interest rate swaps, approximately 11% (2022: 12%) of the Group's interest-bearing borrowings bore interest at fixed rates.

At the end of the reporting period, if the interest rates on bank borrowings had been 25 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the loss before tax for the year would have been increased/decreased by HK$6,162,000 (2022: HK$6,460,000) as a result of higher/lower interest expenses on bank borrowings.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group entered into forward currency contracts with certain financial institutions to reduce its exposure to foreign currency risk. These derivative financial instruments are not accounted for under hedge accounting. The Group continues to monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and IDR exchange rates, with all other variables held constant, of the Group's loss before tax (arising from EUR and IDR denominated financial instruments).

2023

	Increase/(decrease) in exchange rate %	**Decrease/(increase) in loss before tax HK$'000**
If the Hong Kong dollar weakens against the EUR	**5**	**(6,163)**
If the Hong Kong dollar strengthens against the EUR	**(5)**	**6,163**
If the Hong Kong dollar weakens against the IDR	**5**	**(389)**
If the Hong Kong dollar strengthens against the IDR	**(5)**	**389**

2022

	Increase/(decrease) in exchange rate %	Decrease/(increase) in loss before tax HK$'000
If the Hong Kong dollar weakens against the EUR	5	(2,454)
If the Hong Kong dollar strengthens against the EUR	(5)	2,454
If the Hong Kong dollar weakens against the IDR	5	828
If the Hong Kong dollar strengthens against the IDR	(5)	(828)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group mainly transacts with creditworthy third parties. Receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	—	—	2,873,815	2,873,815
Bills receivable					
— Not yet past due	402	—	—	—	402
Contract assets included in prepayments, deposits, other receivables and other assets*	—	—	—	5,946	5,946
Financial assets included in prepayments, deposits, other receivables and other assets					
— Normal**	158,808	—	—	—	158,808
Restricted cash					
— Not yet past due	12,259	—	—	—	12,259
Pledged deposits					
— Not yet past due	1,100	—	—	—	1,100
Cash and cash equivalents					
— Not yet past due	131,233	—	—	—	131,233
Total	303,802	—	—	2,879,761	3,183,563

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	—	—	2,997,402	2,997,402
Bills receivable					
— Not yet past due	3,336	—	—	—	3,336
Contract assets included in prepayments, deposits, other receivables and other assets*	—	—	—	7,486	7,486
Financial assets included in prepayments, deposits, other receivables and other assets					
— Normal**	142,782	—	—	—	142,782
Restricted cash					
— Not yet past due	11,981	—	—	—	11,981
Pledged deposits					
— Not yet past due	22,996	—	—	—	22,996
Cash and cash equivalents					
— Not yet past due	122,347	—	—	—	122,347
Indemnity given to a financial institution for guarantee letter issued in relation to a power generation project undertaken by a joint venture	4,079	—	—	—	4,079
Total	307,521	—	—	3,004,888	3,312,409

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix and probability of default is disclosed in notes 18 and 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables is disclosed in note 18 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 67% (2022: 56%) and 93% (2022: 90%) of the Group's trade and bills receivables were due from the Group's largest debtor and five largest debtors, respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of senior notes, and bank and other borrowings. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand/ less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	518,638	—	—	518,638
Financial liabilities included in other payables and accruals	725,435	—	—	725,435
Derivative financial instruments				
Forward currency contracts (gross settlement)				
— Outflow	177,164	—	—	177,164
— Inflow	(183,295)	—	—	(183,295)
Interest-bearing bank and other borrowings	2,790,010	54,477	—	2,844,487
Lease liabilities	15,132	22,905	35,364	73,401
Total	4,043,084	77,382	35,364	4,155,830

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

2022

	On demand/ less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	2,045,924	—	—	2,045,924
Financial liabilities included in other payables and accruals	381,033	42,302	—	423,335
Derivative financial instruments				
Forward currency contracts (gross settlement)				
— Outflow	139,302	—	—	139,302
— Inflow	(140,170)	—	—	(140,170)
Interest rate swaps (net settlement)				
— Net outflow	5,541	2,218	—	7,759
Interest-bearing bank and other borrowings	3,085,620	—	—	3,085,620
Lease liabilities	19,855	39,759	105,040	164,654
Indemnity given to a financial institution for guarantee letter issued in relation to a power generation project undertaken by a joint venture	4,079	—	—	4,079
Total	5,541,184	84,279	105,040	5,730,503

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

Capital of the Group comprises all components of shareholders' equity.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	328,895	328,895
CURRENT ASSETS		
Prepayments	–	384
Due from subsidiaries	1,065,629	2,016,176
Cash and cash equivalents	199	224
Total current assets	1,065,828	2,016,784
CURRENT LIABILITIES		
Other payables and accruals	3,374	631
Due to subsidiary	–	8,505
Total current liabilities	3,374	9,136
NET CURRENT ASSETS	1,062,454	2,007,648
Net assets	1,391,349	2,336,543
EQUITY		
Share capital	668,315	270,169
Reserves *(note)*	723,034	2,066,374
Total equity	1,391,349	2,336,543

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Share option reserve HK$'000 *(note 34(c))*	Shares held under the share award scheme HK$'000 *(note 33)*	Retained profits HK$'000	Total HK$'000
At 1 January 2022	1,892,072	128,895	1,872	(35,890)	87,257	2,074,206
Loss and total comprehensive loss for the year	—	—	—	—	(3,230)	(3,230)
Transfer of share option reserve upon the forfeiture or expiry of share options	—	—	(1,872)	—	757	(1,115)
Equity-settled share-based payment arrangement	—	—	—	3,479	(2,679)	800
Purchases of shares for the share award scheme	—	—	—	(4,287)	—	(4,287)
At 31 December 2022	1,892,072	128,895	—	(36,698)	82,105	2,066,374
At 31 December 2022 and at 1 January 2023	1,892,072	128,895	—	(36,698)	82,105	2,066,374
Loss and total comprehensive loss for the year	—	—	—	—	(2,540,879)	(2,540,879)
Issue of shares	1,211,876	—	—	—	—	1,211,876
Share issue expenses	(14,337)	—	—	—	—	(14,337)
At 31 December 2023	3,089,611	128,895	—	(36,698)	(2,458,774)	723,034

Capital reserve

The Company's capital reserve represents the excess of the net asset value of Crest Pacific acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2024.

FIVE YEAR FINANCIAL SUMMARY

A SUMMARY OF RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,497,643**	3,361,325	5,094,079	3,386,936	2,794,036
Cost of sales	**(1,451,485)**	(2,699,447)	(4,281,566)	(2,575,810)	(2,056,794)
Gross profit	**46,158**	661,878	812,513	811,126	737,242
Other income and gains, net	**4,334**	7,928	12,019	175,461	143,505
Selling and distribution expenses	**(14,758)**	(22,179)	(29,023)	(33,131)	(30,981)
Administrative expenses	**(398,142)**	(377,739)	(408,643)	(344,813)	(338,986)
Other expenses, net	**(1,470,510)**	(154,541)	(79,196)	(69,308)	(5,210)
Finance costs	**(316,181)**	(232,814)	(210,393)	(220,544)	(249,296)
Share of profits and losses of joint ventures	**(705,903)**	(198,732)	9,400	263,574	66,873
PROFIT/(LOSS) BEFORE TAX	**(2,855,002)**	(316,199)	106,677	582,365	323,147
Income tax credit/(expense)	**957**	35,489	(49,938)	(56,932)	(40,889)
PROFIT/(LOSS) FOR THE YEAR	**(2,854,045)**	(280,710)	56,739	525,433	282,258
Attributable to:					
Owners of the Company	**(2,853,972)**	(316,852)	45,689	516,294	283,551
Non-controlling interests	**(73)**	36,142	11,050	9,139	(1,293)
	(2,854,045)	(280,710)	56,739	525,433	282,258

ASSETS AND LIABILITIES

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**6,235,627**	8,911,328	10,349,317	9,131,061	8,951,272
TOTAL LIABILITIES	**(4,352,117)**	(5,771,271)	(6,816,870)	(5,649,573)	(6,092,636)
	1,883,510	3,140,057	3,532,447	3,481,488	2,858,636
EQUITY					
Equity attributable to owners of the Company	**1,883,530**	3,139,404	3,475,465	3,435,556	2,821,843
Non-controlling interests	**(20)**	653	56,982	45,932	36,793
	1,883,510	3,140,057	3,532,447	3,481,488	2,858,636

KEY FINANCIAL RATIOS

	As of and for the year ended 31 December				
	2023	2022	2021	2020	2019
Profitability ratios					
Return on equity[(1)]	**(113.6)%**	(8.4)%	1.6%	16.6%	10.3%
Return on total assets[(2)]	**(37.7)%**	(2.9)%	0.6%	5.8%	3.5%
Liquidity ratios					
Current ratio[(3)]	**0.7**	0.8	1.1	1.0	1.1
Quick ratio[(4)]	**0.5**	0.6	0.8	0.7	0.9
Liabilities to assets ratio[(5)]	**0.7**	0.6	0.7	0.6	0.7
Capital adequacy ratios					
Net gearing ratio[(6)]	**139.2%**	88.0%	92.8%	60.5%	108.4%
Interest coverage[(7)]	**N/A**	N/A	1.5	3.6	2.3
EBITDA interest coverage[(8)]	**N/A**	0.8	3.1	5.1	3.4

Notes:

(1) Return on equity is calculated based on profit/(loss) for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant year and multiplied by 100%.

(2) Return on total assets is calculated based on profit/(loss) for the year divided by the arithmetic mean of the opening and closing balances of total assets in the relevant year and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(5) Liabilities to assets ratio is calculated based on total liabilities divided by total assets.

(6) Net gearing ratio is calculated based on the percentage of total borrowings less cash and cash equivalents, restricted cash and pledged deposits to total equity.

(7) Interest coverage is calculated by dividing profit/(loss) before tax and finance costs by finance costs.

(8) EBITDA interest coverage is calculated by dividing earnings before interest, tax, depreciation and amortisation by finance costs.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Kang Hubiao *(Chairman)*
Mr. Lam Yee Chun
(Chief Executive Officer)
Mr. Lu Weijun
Mr. Li Haifeng
Mr. Jin Jiantang
(Chief Financial Officer)

Non-executive Director

Mr. Wong Kwok Yiu

Independent Non-executive Directors

Mr. Suen Wai Yu
Dr. Wang Zheng
Dr. Lin Tun

BOARD COMMITTEES

Audit Committee

Dr. Wang Zheng *(Chairman)*
Mr. Suen Wai Yu
Dr. Lin Tun

Remuneration Committee

Dr. Wang Zheng *(Chairman)*
Mr. Suen Wai Yu
Dr. Lin Tun

Nomination Committee

Dr. Kang Hubiao *(Chairman)*
Dr. Wang Zheng
Dr. Lin Tun

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
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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