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## **VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED**

**偉能集團國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1608)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **KEY HIGHLIGHTS**

- Amid a challenging global business environment, the Group had demonstrated resilience and continued to deliver a strong operational and financial performance for the year ended 31 December 2020.
- Revenue rose 21.2% to HK\$3,386.9 million. Among which, revenue from SI business was HK\$2,169.9 million and revenue from IBO business was HK\$1,217.0 million, representing an increase of 23.5% and 17.3% respectively.
- Gross profit increased 10.0% to HK\$811.1 million.
- EBITDA increased 32.7% to HK\$1,131.9 million.
- Profit attributable to the owners of the Company increased 82.1% to HK\$516.3 million.
- Net debt decreased 32.0% to HK\$2,107.0 million, resulting in a net gearing ratio dropped from 108.4% to 60.5%.
- The Board proposed a final dividend of HK3.45 cents per share, this will result in a full year dividend of HK4.96 cents per share, representing around 24.8% of the Group's profit for the year ended 31 December 2020. Subject to the approval of the shareholders of the Company at the 2021 AGM, the final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash in whole or in part under the Scrip Dividend Scheme.

The board of directors (the “**Board**”) of VPower Group International Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with comparative figures of the last financial year in 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	<b>3,386,936</b>	2,794,036
Cost of sales		<u><b>(2,575,810)</b></u>	<u>(2,056,794)</u>
Gross profit		<b>811,126</b>	737,242
Other income and gains	5	<b>175,461</b>	143,505
Selling and distribution expenses		<b>(33,131)</b>	(30,981)
Administrative expenses		<b>(344,813)</b>	(338,986)
Other expenses, net		<b>(69,308)</b>	(5,210)
Finance costs		<b>(220,544)</b>	(249,296)
Share of profits and losses of joint ventures		<u><b>263,574</b></u>	<u>66,873</u>
PROFIT BEFORE TAX	6	<b>582,365</b>	323,147
Income tax expense	7	<u><b>(56,932)</b></u>	<u>(40,889)</u>
PROFIT FOR THE YEAR		<u><b>525,433</b></u>	<u>282,258</u>
Attributable to:			
Owners of the Company		<b>516,294</b>	283,551
Non-controlling interests		<u><b>9,139</b></u>	<u>(1,293)</u>
		<u><b>525,433</b></u>	<u>282,258</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u><b>HK19.97 cents</b></u>	<u>HK11.12 cents</u>
Diluted		<u><b>HK19.96 cents</b></u>	<u>HK11.12 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	525,433	282,258
OTHER COMPREHENSIVE 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	(15,633)	781
Reclassification adjustments included in the consolidated statement of profit or loss	<u>6,631</u>	<u>(975)</u>
	(9,002)	(194)
Exchange differences on translation of foreign operations	<u>(68,073)</u>	<u>(5,490)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(77,075)</u>	<u>(5,684)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>448,358</u></u>	<u><u>276,574</u></u>
Attributable to:		
Owners of the Company	439,219	277,920
Non-controlling interests	<u>9,139</u>	<u>(1,346)</u>
	<u><u>448,358</u></u>	<u><u>276,574</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,719,950</b>	3,761,021
Investment property		<b>23,700</b>	24,600
Right-of-use assets		<b>61,602</b>	18,290
Goodwill		<b>81,489</b>	81,489
Other intangible assets		<b>92,362</b>	94,151
Interests in joint ventures		<b>1,754,748</b>	853,047
Deposits and other receivables		<b>44,410</b>	147,347
Deferred tax assets		<b>4,750</b>	15,333
		<hr/>	<hr/>
Total non-current assets		<b>5,783,011</b>	4,995,278
<b>CURRENT ASSETS</b>			
Inventories		<b>1,179,771</b>	885,860
Trade and bills receivables	<i>10</i>	<b>618,641</b>	1,225,632
Prepayments, deposits, other receivables and other assets		<b>462,575</b>	639,129
Due from a related company		<b>96</b>	96
Derivative financial instruments		<b>—</b>	589
Tax recoverable		<b>5,065</b>	19,734
Restricted cash		<b>66,594</b>	81,635
Pledged deposits		<b>37,126</b>	62,200
Cash and cash equivalents		<b>978,182</b>	772,439
		<hr/>	<hr/>
		<b>3,348,050</b>	3,687,314
Assets held for sale	<i>13</i>	<b>—</b>	268,680
		<hr/>	<hr/>
Total current assets		<b>3,348,050</b>	3,955,994
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>802,006</b>	739,105
Other payables and accruals		<b>324,122</b>	805,306
Contract liabilities		<b>875,322</b>	122,868
Derivative financial instruments		<b>9,196</b>	194
Senior notes		<b>21,978</b>	17,724
Interest-bearing bank and other borrowings		<b>1,138,282</b>	1,782,557
Lease liabilities		<b>7,657</b>	10,434
Tax payable		<b>10,820</b>	18,219
Provision for restoration		<b>6,123</b>	4,174
		<hr/>	<hr/>
Total current liabilities		<b>3,195,506</b>	3,500,581
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		<b>152,544</b>	455,413
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		<b>5,935,555</b>	5,450,691

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>42,733</b>	—
Other payables		<b>281,123</b>	329,235
Senior notes		<b>745,523</b>	764,395
Interest-bearing bank and other borrowings		<b>1,283,141</b>	1,449,704
Lease liabilities		<b>53,246</b>	7,148
Provision for restoration		<b>20,187</b>	22,826
Deferred tax liabilities		<b>28,114</b>	18,747
		<hr/>	<hr/>
Total non-current liabilities		<b>2,454,067</b>	2,592,055
		<hr/>	<hr/>
Net assets		<b>3,481,488</b>	2,858,636
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>12</i>	<b>264,692</b>	256,228
Reserves		<b>3,170,864</b>	2,565,615
		<hr/>	<hr/>
		<b>3,435,556</b>	2,821,843
Non-controlling interests		<b>45,932</b>	36,793
		<hr/>	<hr/>
Total equity		<b>3,481,488</b>	2,858,636
		<hr/> <hr/>	<hr/> <hr/>

## NOTES:

### 1. CORPORATE INFORMATION

VPower Group International Holdings Limited 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 Group was principally engaged in the design, integration, sale and installation of engine-based electricity generation units and the provision of distributed power solutions, including the design, investment in, building and operation of distributed power generation stations.

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

### 2. BASIS OF PREPARATION

The 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and 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. The financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### 3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty

in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The Group has applied the temporary reliefs to continue its existing interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s factory premises and staff quarters have been reduced by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$23,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>3, 6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3, 5</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

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

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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



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

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

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

**Year ended 31 December 2020**

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	2,169,865	1,217,071	3,386,936
Intersegment sales	<u>185,117</u>	<u>—</u>	<u>185,117</u>
	2,354,982	1,217,071	3,572,053
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(185,117)</u>
Revenue			<u><u>3,386,936</u></u>
<b>Segment results</b>	<b>295,701</b>	<b>577,701</b>	<b>873,402</b>
<i>Reconciliation:</i>			
Elimination of intersegment results			(15,106)
Bank interest income			3,975
Corporate and unallocated expenses, net			(59,362)
Finance costs			<u>(220,544)</u>
Profit before tax			<u><u>582,365</u></u>
<b>Segment assets</b>	<b>1,414,846</b>	<b>5,735,199</b>	<b>7,150,045</b>
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,981,016</u>
Total assets			<u><u>9,131,061</u></u>
<b>Segment liabilities</b>	<b>1,647,304</b>	<b>752,548</b>	<b>2,399,852</b>
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>3,249,721</u>
Total liabilities			<u><u>5,649,573</u></u>

**Year ended 31 December 2019**

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	1,756,502	1,037,534	2,794,036
Intersegment sales	<u>16,810</u>	<u>—</u>	<u>16,810</u>
	1,773,312	1,037,534	2,810,846
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(16,810)</u>
Revenue			<u><u>2,794,036</u></u>
<b>Segment results</b>	246,734	339,686	586,420
<i>Reconciliation:</i>			
Elimination of intersegment results			(543)
Bank interest income			2,242
Corporate and unallocated expenses, net			(15,676)
Finance costs			<u>(249,296)</u>
Profit before tax			<u><u>323,147</u></u>
<b>Segment assets</b>	1,884,140	5,171,750	7,055,890
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,895,382</u>
Total assets			<u><u>8,951,272</u></u>
<b>Segment liabilities</b>	1,042,067	991,843	2,033,910
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>4,058,726</u>
Total liabilities			<u><u>6,092,636</u></u>

## Geographical information

### (a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong, Macau and Mainland China	996,044	567,448
Asian countries	1,585,191	1,574,824
Latin America	606,710	449,592
Other countries	<u>198,991</u>	<u>202,172</u>
	<u><u>3,386,936</u></u>	<u><u>2,794,036</u></u>

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

### (b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong and Mainland China	1,881,427	1,040,228
Asian countries	2,463,802	2,445,391
Latin America	1,226,817	1,344,251
Other countries	<u>205,460</u>	<u>147,800</u>
	<u><u>5,777,506</u></u>	<u><u>4,977,670</u></u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	813,887	751,014
Customer B	631,886	N/A*
Customer C	456,656	407,170
Customer D	<u>452,319</u>	<u>449,592</u>
	<u><u>2,354,748</u></u>	<u><u>1,607,776</u></u>

\* Less than 10% of revenue

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

### For the year ended 31 December 2020

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>2,169,865</u>	<u>1,217,071</u>	<u>3,386,936</u>

### For the year ended 31 December 2019

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>1,756,502</u>	<u>1,037,534</u>	<u>2,794,036</u>

An analysis of other income and gains is as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Other income</b>		
Bank interest income	3,975	2,242
Loan interest income	—	175
Consultancy income	153,640	134,870
Government grants*	2,074	1,529
Others	<u>2,145</u>	<u>4,100</u>
	<u>161,834</u>	<u>142,916</u>
<b>Gains</b>		
Gain on disposal of items of assets held for sale	13,627	—
Fair value gains on derivative financial instruments	<u>—</u>	<u>589</u>
	<u>13,627</u>	<u>589</u>
	<u>175,461</u>	<u>143,505</u>

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

## 6. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment*	309,943	267,526
Depreciation of right-of-use assets	16,123	10,398
Amortisation of intangible assets	2,879	2,879
Fair value loss/(gain) on derivative financial instruments	589 <sup>#</sup>	(589)
Foreign exchange differences, net <sup>#</sup>	28,115	478
Impairment of trade receivables, net <sup>#</sup>	4,867	1,602
Write-down of inventories to net realisable value <sup>#</sup>	10,939	2,926
Loss on disposal of items of property, plant and equipment, net <sup>#</sup>	4,425	501
Equity-settled share-based payment expense	<u>11,897</u>	<u>775</u>

\* The cost of sales for the year included depreciation charges of HK\$252,823,000 (2019: HK\$225,393,000).

<sup>#</sup> Included in "Other expenses, net" in the consolidated statement of profit or loss.

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	7,510	10,266
Overprovision in prior years	(4,124)	—
Current — Elsewhere		
Charge for the year	36,295	35,192
Overprovision in prior years	(3,018)	(3,338)
Deferred	<u>20,269</u>	<u>(1,231)</u>
Total tax charge for the year	<u>56,932</u>	<u>40,889</u>

## 8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2019		
— HK2.20 cents (2018: HK0.48 cent) per ordinary share	56,391	12,298
Less: Dividend for shares held under the share award scheme	<u>(173)</u>	<u>(59)</u>
	<u>56,218</u>	<u>12,239</u>
Interim dividend for the six months ended 30 June 2020		
— HK1.51 cents (2019: HK0.55 cent) per ordinary share	39,967	14,092
Less: Dividend for shares held under the share award scheme	<u>(210)</u>	<u>(68)</u>
	<u>39,757</u>	<u>14,024</u>
	<u>95,975</u>	<u>26,263</u>
Final dividend proposed after the end of the reporting period:		
Proposed final dividend for the year ended 31 December 2020		
— HK3.45 cents (2019: HK2.20 cents) per ordinary share	<u>91,319</u>	<u>56,370</u>

The proposed final dividend for the year, with a scrip dividend alternative, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$516,294,000 (2019: HK\$283,551,000), and the weighted average number of ordinary shares of 2,585,639,000 (2019: 2,549,837,000) in issue during the year, as adjusted to exclude the shares held under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$516,294,000 (2019: HK\$283,551,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,585,639,000 (2019: 2,549,837,000) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,058,000 (2019: 1,085,000) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

## 10. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills receivables	627,660	1,229,791
Impairment	<u>(9,019)</u>	<u>(4,159)</u>
	<u><b>618,641</b></u>	<u><b>1,225,632</b></u>

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 team. 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.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	290,392	869,381
91 to 180 days	106,205	68,878
181 to 360 days	23,389	86,804
Over 360 days	<u>198,655</u>	<u>200,569</u>
	<u><b>618,641</b></u>	<u><b>1,225,632</b></u>

## 11. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills payables	844,739	739,105
Portion classified as current liabilities	<u>(802,006)</u>	<u>(739,105)</u>
Non-current portion	<u><b>42,733</b></u>	<u>—</u>

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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>441,428</b>	573,975
91 to 180 days	<b>170,986</b>	126,069
181 to 360 days	<b>213,980</b>	14,344
Over 360 days	<b>18,345</b>	24,717
	<b>844,739</b>	739,105

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

## 12. SHARE CAPITAL

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<b>500,000</b>	500,000
Issued and fully paid:		
2,646,915,000 (2019: 2,562,284,000) ordinary shares of HK\$0.1 each	<b>264,692</b>	256,228

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

	<i>Notes</i>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares</b> <i>HK\$'000</i>
At 1 January 2019		2,562,074,000	256,207
Share options exercised	<i>(a)</i>	<u>210,000</u>	<u>21</u>
At 31 December 2019 and at 1 January 2020		2,562,284,000	256,228
Share options exercised	<i>(a)</i>	1,631,000	164
Issue of subscription shares	<i>(b)</i>	<u>83,000,000</u>	<u>8,300</u>
At 31 December 2020		<b><u>2,646,915,000</u></b>	<b><u>264,692</u></b>



*Notes:*

- (a) During the year, share options with rights to subscribe for 1,631,000 (2019: 210,000) shares were exercised at the exercise price of HK\$2.016 per share (2019: HK\$2.016 per share), resulting in the issue of 1,631,000 (2019: 210,000) ordinary shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$3,288,000 (2019: HK\$423,000). An amount of HK\$2,098,000 (2019: HK\$259,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) On 23 July 2020, 83,000,000 shares were allotted and issued at the subscription price of HK\$3.75 per share pursuant to a placing and subscription arrangement for a cash consideration, before expenses, of HK\$311,250,000.

**13. ASSETS HELD FOR SALE**

In the prior year, the Group negotiated with independent third parties to dispose of certain power generation assets subsequent to the expiry or cancellation of certain IBO contracts of the distributed power stations and purchase orders were placed by the independent third parties. In the opinion of the directors, the sales were considered highly probable and were expected to be completed within one year from the dates of reclassification. Accordingly, the related power generation assets of HK\$268,680,000 were classified as assets held for sale as at 31 December 2019.

During the year, the assets held for sale were disposed of to independent third parties.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

#### **Market Review**

2020 was a tumultuous year during which the COVID-19 pandemic brought massive disruptions to the global economy, business, mobility and our everyday life. The COVID-19 pandemic and resulting economic crisis had a comparatively less severe impact on the utilities industry sectors than many other industries, but it called for a global alert of the industry in reshaping how energy was produced, supplied, and consumed around the world.

With the world being locked down and industries suspended for purpose of containing the spread of virus, demand for electricity was correspondingly dropped in 2020 which drove down fossil fuel consumption and hence carbon emissions. Nevertheless, global heating continued unabated making 2020 one of the warmest years on record. The rebound in global carbon emissions towards the end of the year called for more tangible climate actions and more ambitious targets on decarbonisation.

#### **Business Review**

Over the years, we have seen operational flexibility and adaptive management approach as key assets in times of crisis. Our perseverance enabled us to make prompt response and tackle the disruptions brought by the unprecedented crisis of COVID-19.

In fight of COVID-19 pandemic, we have always placed the health and safety of our employees and other stakeholders at top priority in every move of our operation and business development. A comprehensive range of precautionary measures to protect their wellbeing were in place in 2020 and beyond as needed. At the same time with a proper balance, we are also mindful and acknowledged the importance of our capacities in providing reliable electricity supply in safeguarding public health and economic recovery, and therefore used our best endeavour to continue to satisfy the electricity need by our clients despite the challenges posed by the pandemic.

While the world had experienced unprecedented negative impacts from the pandemic, we managed to record a satisfactory growth in both business segments for the year ended 31 December 2020 with revenue totalling approximately HK\$3,386.9 million (2019: approximately HK\$2,794.0 million), thanks to the remarkable efforts of our people, contractors, suppliers, and business partners.

#### ***System Integration (“SI”) Business***

In 2020, we, being the leader in the distributed power system integration industry in Asia, continued to capture the market growth driven by the increasing number of data centres across the globe, accelerated development of telecommunications infrastructure, and the demand for mission critical power supply and flexible power to supplement renewable generation. Professional sale and post-sale services are

instrumental to the success of our SI business, and our Global Service Support Unit also played an important role in our business by offering 24x7 specialised field technical service and supply chain management to our valuable customers.

During the year, we further strengthened our strategic relationship with the world's leading engine manufacturer Rolls-Royce Power Systems AG. Besides being one of its largest clients in the powergen segment, we became its distributor in China in early 2020. Our distribution agreement covers the sales and maintenance of MTU engines and gensets for commercial marine and gas power generation in China.

For the year ended 31 December 2020, revenue from SI business was approximately HK\$2,169.9 million (2019: approximately HK\$1,756.5 million), representing a growth of 23.5%.

### ***Invest, Build and Operate (“IBO”) Business***

During this challenging year, we remained focused on and committed to maintaining a reliable power supply to our off-takers as well as the general public, being the ultimate users. To cope with the pandemic, beside and beyond our extra efforts in optimising our supply chain management to ensure smooth operations of our power stations, we pay particular emphasis in ensuring proper and adequate personal protective equipment are provided to our people to ensure a safe working environment for them. Overall, our IBO business demonstrated resilience and continued to deliver solid operating performance. For the year ended 31 December 2020, revenue from IBO business was approximately HK\$1,217.0 million (2019: approximately HK\$1,037.5 million), representing a growth of 17.3%.

Although COVID-19 pandemic hampered global logistics and economic activities in general, we managed to commission a number of projects in Myanmar, Sri Lanka and Brazil respectively. In our gas-fueled dominated project portfolio, we strived for every effort to lower the carbon footprint of our power generation; as such, we use biodiesel as a hybrid fuel source at our 70.3MW Amazonas State Project in Brazil. Biodiesel is produced from renewable organic sources, such as vegetable oils, animal fats and waste cooking oil. Compared with petroleum derived diesel, biodiesel produces less sulfur and carbon monoxide in the emissions.

The most notable strategic move we made last year was the entry into liquefied natural gas (LNG)-to-power market with our long-lasting business partner China National Technical Import & Export Corporation (“CNTIC”) (a wholly-owned subsidiary of China General Technology (Group) Holding Company Limited which is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China). We have been mindful and are on top of the global energy transition trend and believe that LNG will play a key role in the global decarbonisation initiatives. Through the 50% owned joint venture CNTIC VPower Group Holdings Limited (“CNTIC VPower”) which engages in LNG-to-power business in Myanmar, we expanded our capability in providing a one-stop solution in using LNG in fast-track power generation enabling us to further pursue LNG-to-power opportunities and the peripheral business opportunities associated with its entire supply chain in other jurisdictions.

## *Significant Investments*

### (i) CNTIC VPower

CNTIC VPower was established for the development and operation of three power generation projects in Myanmar, namely 477.1MW Thaketa Project, 410.2MW Thanlyin Project and 172.2MW Kyauk Phyu III Project (collectively the “**Joint Venture Projects**”).

Since its establishment, CNTIC VPower has developed a comprehensive setup and platform to support LNG sourcing, imports, logistics, storage and regasification which form part of the first LNG-to-power project of Myanmar. The Joint Venture Projects started generating electricity in June 2020 in phases and made a contribution of approximately HK\$223.1 million to the Group’s profit in 2020. As at 31 December 2020, the total investment cost we invested in CNTIC VPower was approximately HK\$700.4 million; the carrying value of the Group’s investment in CNTIC VPower was approximately HK\$916.2 million, representing approximately 10.0% of the Group’s total assets.

### (ii) Tamar VPower Energy Fund I, L.P. (the “**Fund**”)

We joined hands with CITIC Pacific Limited to explore the opportunities in the energy sector in countries along the Belt and Road Initiative through the Fund in 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. For the year ended 31 December 2020, the Group received distribution of approximately HK\$64.3 million from the Fund and recorded a share of profit of approximately HK\$40.5 million. As at 31 December 2020, the total investment cost we invested in the Fund was approximately HK\$787.7 million; and the carrying value of our investment in the Fund was approximately HK\$838.6 million, representing around 9.2% of the Group’s total assets. The Fund is already fully invested and we do not expect to make further investment in the Fund.

## *Power Project Portfolio*

The following table shows the total generation capacity of the power projects of the Group<sup>(1)</sup> as of the date of this announcement:

	<b>Our equity interest</b>	<b>Gross capacity</b> (MW) <sup>(2)</sup>	<b>Contract length</b> (months) <sup>(3)</sup>
<b><i>Indonesia</i></b>			
Teluk Lembu I	100%	20.3	12
Teluk Lembu II	100%	65.8	12
Rengat	100%	20.3	36
Muko	100%	6.5	24
Dumai <sup>(4)</sup>	100%	18.7	180

	<b>Our equity interest</b>	<b>Gross capacity (MW)<sup>(2)</sup></b>	<b>Contract length (months)<sup>(3)</sup></b>
<b><i>Myanmar</i></b>			
Kyauk Phyu I	100%	49.9	60
Kyauk Phyu II	100%	49.9	60
Myingyan I <sup>(5)</sup>	100%	149.8	60
Myingyan II	100%	109.7	60
Yangon	100%	4.7	48
Kyun Chaung	100%	23.2	24
Thaketa	50%	477.1	60
Thanlyin	50%	410.2	60
Kyauk Phyu III	50%	172.2	60
<b><i>China</i></b>			
Shandong	100%	14.4	180
<b><i>Latin America</i></b>			
Iquitos	51%	79.8	240
Amazonas State	100%	70.3	60–180
<b><i>Sri Lanka</i></b>			
Project I	100%	25.8	6
Project II	100%	26.4	6
Project III	100%	27.7	6
Project IV	100%	27.9	6
<b><i>United Kingdom</i></b>			
Doncaster	100%	20.3	180
Other projects	100%	<u>132.0</u>	180
<b>Total capacity</b>		<b><u><u>2,002.9</u></u></b>	

*Notes:*

- (1) It includes the capacity of projects in operation, in trial operation, under contract renewal and under construction.
- (2) Gross capacity refers to the maximum power generating capacity of the distributed power station based on an aggregate capacity of power generation systems.
- (3) Contract length refers to the term of the contract in respect of the distributed power projects in force as at the date of this announcement.
- (4) Under the relevant power purchase agreement, we are granted a right of first refusal to supply additional power by increasing our installed capacity of up to 60MW.
- (5) It includes the installed capacity of a distributed power station located in Magway, Myanmar.

## *Awards and Recognition*

Despite the disruptions caused by the pandemic, we continued with our ongoing efforts in strengthening corporate sustainability on top of upholding our commitment to stakeholders. We are delighted to receive multiple awards in recognition of our performance in different aspects. Thanks to the friends in the investment community, we were voted to win six awards at the 6th Investor Relations Awards organised by the Hong Kong Investor Relations Association, including Best IR Company, Best IRO (Investor Relations Officer), Best IR Team, Best ESG (E), Best ESG (S) and Best Annual Report.

In addition, we received prestigious awards and recognition in promoting environmental, social and governance developments, including the Bronze Award of Manufacturing Sector at the BOCHK Corporate Environmental Leadership Awards presented by Federation of Hong Kong Industries and BOC (Hong Kong) Limited; and the ESG Leading Enterprise Award presented by Bloomberg Businessweek/Chinese Edition and Deloitte.

## **OUTLOOK**

Following the unprecedented health and economic crisis caused by COVID-19, the world appears to be recovering with the rollout of vaccine and enactment of economic stimulus measures by different governments. However, prospects for the global economy remain uncertain due to constraints in vaccine procurement and distribution, and the reintroduced restrictive measures resulted from the continuous spreading of COVID-19 around the world. Against this backdrop, business sustainability has brought into sharp focus.

Running business in a changing world and increasingly complex energy sector, we will continue our focus on operational excellence and resilience. The health and safety of our employees will always remain at the heart of our operation.

More and more countries are adopting net-zero emissions targets and seeking to create lower-carbon energy eco-systems. Together with China's carbon-neutral target by 2060 announced last year, nearly 50% of the world's gross domestic product, and about 50% of global carbon dioxide emissions, are now covered by net-zero commitments. Natural gas, LNG, renewables, and enhancement of energy efficiency would all inevitably have a central role to play in delivering to the world a net-zero eco-system for bringing power from its generation to the end-users.

While the world is moving faster towards intermittent renewable sources for power generation, grids are facing increasing volatility. The adoption of decentralised energy becomes more important to stabilise the grid because of its flexible nature. In support of global energy transition to low carbon and net-zero eventually, and leveraging on our experience and network in Southeast Asia, China, the United Kingdom and the Middle East, we will continue to invest in decentralisation as an investor and operator of distributed power stations in these regions.

In addition to the diversified project portfolio we have built over the years that uses a wide range of fuels from natural gas, biogas, diesel and biodiesel, we have expanded into LNG-to-power projects through the joint venture with CNTIC. Independent of existing pipeline infrastructure, LNG enables the provision of clean, reliable and cost-efficient electricity to every corner of the world. The joint venture embraces the whole value chain in bringing LNG-to-power to the ultimate power off-takers from procurement, logistics, storage, regasification and power generation. Its successful project execution and operation has brought into us new technical and integration capabilities and an additional distributed power solution offering which would in turn open up a huge market for us. We continue to have a positive view on our business prospects in the LNG-to-power market and the peripheral business prospects associated with its vertical supply chain in Southeast Asia.

The ongoing investment in decentralisation and expansion into LNG-to-power are in line with our decarbonisation commitment and strategy. As a responsible energy provider, we will also enhance our investment in clean technologies of which their adoption for use would reduce the overall carbon footprint of bringing cost effective energy to the end-users, such as combined cooling, heat and power generation, hybrid power, battery and storage, and renewables.

With numerous attractive investment opportunities in mind, a strong financial position with sustainable and diversified funding plays a key role. As a result of our first equity placement completed in July 2020 combining our strong cashflow from operation in the year, we have successfully lowered our net gearing level. Notwithstanding our healthy cash flow position, we will remain vigilant and continue to optimise our capital structure, strengthen our financing and treasury policies, tighten our investment review and enhance risk management and internal control.

The recent political development and social conditions in Myanmar, one of our markets with power generation operations, have become our focus of market monitoring. We are closely following the situation, and more particularly working with our best efforts to safeguard the safety of our employees and contractors as well as assessing the potential impact on us. While we endeavor to ensure stable electricity supply which is important to the well-being of the people of Myanmar, we look forward to a peaceful resolution of the current situation for the people to develop a prosperous nation.

Despite a profoundly challenging start of the year, we will continue our efforts in maintaining business resilience and pursuing more diversified opportunities. The world around us changes, but there is nothing to stop us from honouring our commitment to provide reliable and cost-effective electricity to people in need. The creation of sustainable value to our shareholders, employees, customers and other stakeholders continues to be our key corporate operation principle and belief.

## Financial Review

### Revenue

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
SI	2,169,865	1,756,502
IBO	<u>1,217,071</u>	<u>1,037,534</u>
Total	<u><u>3,386,936</u></u>	<u><u>2,794,036</u></u>

In 2020, the Group recorded a revenue of approximately HK\$3,386.9 million, representing an increase of 21.2% as compared with approximately HK\$2,794.0 million of the previous year. The increase in revenue was mainly due to the growth of both business segments. Please refer to the paragraph headed “Business Review” for the increase in revenue.

### Revenue by geographical locations

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

	Year ended 31 December			
	2020		2019	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Hong Kong, Macau and Mainland China	969,473	28.6	551,854	19.8
Other Asian countries <sup>(1)</sup>	1,001,401	29.6	1,002,476	35.9
Other countries	<u>198,991</u>	<u>5.9</u>	<u>202,172</u>	<u>7.2</u>
Total	<u><u>2,169,865</u></u>	<u><u>64.1</u></u>	<u><u>1,756,502</u></u>	<u><u>62.9</u></u>

Note:

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



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:

	<b>Year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Myanmar	<b>461,788</b>	<b>13.5</b>	412,586	14.8
Peru	<b>452,319</b>	<b>13.4</b>	449,592	16.1
Brazil	<b>154,391</b>	<b>4.6</b>	—	—
Indonesia	<b>75,586</b>	<b>2.2</b>	138,144	4.9
Sri Lanka	<b>46,416</b>	<b>1.4</b>	21,618	0.8
Mainland China	<b>26,571</b>	<b>0.8</b>	15,594	0.5
<b>Total</b>	<b><u>1,217,071</u></b>	<b><u>35.9</u></b>	<b><u>1,037,534</u></b>	<b><u>37.1</u></b>

#### *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 2020 and 2019, our cost of sales was HK\$2,575.8 million and HK\$2,056.8 million, respectively. The increase was due to the growth of both SI and IBO businesses, in particular, the pass-through fuel cost in the IBO project in Brazil.

#### *Gross profit and gross profit margin*

	<b>Year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>gross profit margin %</i>	<i>HK\$'000</i>	<i>gross profit margin %</i>
SI	<b>403,218</b>	<b>18.6</b>	356,703	20.3
IBO	<b>407,908</b>	<b>33.5</b>	380,539	36.7
<b>Total</b>	<b><u>811,126</u></b>	<b><u>23.9</u></b>	<b><u>737,242</u></b>	<b><u>26.4</u></b>

Gross profit of the Group was approximately HK\$811.1 million, representing an increase of 10.0% as compared with approximately HK\$737.2 million of the previous year. Gross profit margin for this year decreased to 23.9% from 26.4% in 2019 which was mainly attributable to the growth of SI business with sales of lower gross profit margin and the increase in pass-through fuel cost in IBO business.

### ***Profit before tax***

Profit before tax for the year ended 31 December 2020 was approximately HK\$582.4 million, representing an increase of 80.3% as compared with HK\$323.1 million of the previous year. The increase was mainly due to growth of businesses and an increase in share of profits of joint ventures.

### ***Other income and gains***

In 2020, other income and gains of the Group amounted to approximately HK\$175.5 million, representing an increase of 22.3% as compared with approximately HK\$143.5 million of the previous year. The increase was mainly attributable to consultancy income recognised and gain on disposal of items of assets held for sale.

### ***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 2020, selling and distribution expenses of the Group increased by 6.8% from approximately HK\$31.0 million in 2019 to HK\$33.1 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 2020, administrative expenses of the Group were approximately HK\$344.8 million, representing an increase of 1.7% over the previous year of approximately HK\$339.0 million. The increase was mainly due to the increase in depreciation charge, increase in headcounts as well as addition of new facilities.

### ***Other expenses, net***

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

In 2020, other expenses, net were approximately HK\$69.3 million, which represented an increase of 1,232.7% over the previous year of approximately HK\$5.2 million. The increase was mainly attributable to the increase in foreign exchange loss emerged from operation in China and Peru, expenses for developing new markets and write-down of inventories to net realisable value.

### ***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 2020, finance costs was approximately HK\$220.5 million, which represented a decrease of 11.6% as compared with the previous year of approximately HK\$249.3 million. The decrease was primarily due to the decrease in the interest-bearing bank and other borrowings amount and the decrease in average borrowing interest rate.

### ***Income tax expense***

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In 2020, income tax expense was approximately HK\$56.9 million, representing an increase of 39.1% over the previous year of approximately HK\$40.9 million, and our effective tax rate was 9.8% and 12.7% for 2020 and 2019, respectively.

### ***Profit Attributable to Owners and Earnings per Share***

In 2020, profit attributable to owners of the Company was approximately HK\$516.3 million, representing an increase of approximately HK\$232.7 million or approximately 82.1% as compared with approximately HK\$283.6 million of the previous year.

Basic earnings per share for the year ended 31 December 2020 were HK19.97 cents as compared with HK11.12 cents of the previous year.

### ***Liquidity, Financial and Capital Resources***

As at 31 December 2020, total current assets to the Group amounted to HK\$3,348.1 million (2019: HK\$3,956.0 million). In terms of financial resources as at 31 December 2020, cash and cash equivalents of the Group were HK\$978.2 million (2019: HK\$772.4 million).

As at 31 December 2020, total bank and other borrowings and senior notes of the Group amounted to approximately HK\$3,188.9 million (2019: HK\$4,014.4 million), representing a decrease of approximately 20.6% as compared to that of 31 December 2019. The Group's bank and other borrowings include short-term loans with 1-year maturity and term loans with maturity within 3 years. As at 31 December 2020, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars, Euro, and Peruvian Sol ("PEN") were approximately HK\$2,790.7 million (2019: HK\$3,656.7 million), approximately HK\$277.7 million (2019: HK\$287.5 million), approximately HK\$101.7 million (2019: HK\$66.0 million), and approximately HK\$18.8 million (2019: Nil), respectively. As at 31 December 2019, the Group also had bank and other borrowings denominated in United Kingdom Pound ("GBP") of approximately HK\$4.2 million.

During the year, the Group had drawn a new unsecured US\$40 million thirty-month term loan facility and two new unsecured totalling HK\$190 million three-year term loan facilities to refinance bank loans maturing in 2020 and 2021. The increase in cash and cash equivalents was mainly due to the Group's internally generated cash flows from operation.

As at 31 December 2020, the Group's current ratio was 1.0 (2019: 1.1). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 61.9% (2019: 68.1%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 57.9% (2019: 64.4%). The Group's net gearing ratio, which is calculated as a percentage of total interest-bearing bank and other borrowings and senior notes less cash and cash equivalents, pledged deposits and restricted cash to shareholders' equity was approximately 60.5% (2019: 108.4%). The net gearing ratio, adjusted by excluding the senior notes issued by a non-wholly owned subsidiary which are non-recourse to the Company and/or other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 40.4% (2019: 83.9%).

### *Charge of Assets*

As at 31 December 2020, the Group's senior notes, and interest-bearing bank and other borrowings were secured by charges on (i) certain of the Group's property, plant and equipment with a net book value of approximately HK\$824.0 million (2019: HK\$873.9 million); (ii) the equity interest in Genrent del Peru S.A.C., a 51%-owned subsidiary; (iii) restricted cash of HK\$66.6 million (2019: HK\$81.6 million); and (iv) pledged deposit of HK\$37.1 million (2019: HK\$62.2 million).

### *Exposure on Foreign Exchange Fluctuations*

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

The Group is exposed to foreign exchange risk through sales and purchases that are denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, BRL, IDR, RMB, MMK, PEN and GBP. A majority of the Group's purchases are either in Euro or U.S. dollar. During the year ended 31 December 2020, 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 minimize the relevant exposures.

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

### *Contingent Liabilities*

As at 31 December 2020, the Group had no contingent liabilities.

### *Capital Expenditures*

For the year ended 31 December 2020, the Group invested approximately HK\$298.8 million (2019: HK\$1,487.8 million) in property, plant and equipment of which HK\$297.6 million (2019: HK\$1,483.8 million) relate to IBO projects in Myanmar, Brazil, Sri Lanka and Indonesia.

### **MATERIAL ACQUISITION AND DISPOSAL**

The Group and CNTIC partnered to bid for three power projects in Myanmar and won the bid in the second half of 2019. CNTIC VPower, held as to 50% by each party, was then set up for the projects in early 2020. On 18 May 2020, members of the Group and the CNTIC group entered into a shareholders' agreement pursuant to which the Group agreed to, among other things, make capital contribution of up to US\$90 million (approximately HK\$702 million) in aggregate to CNTIC VPower by way of equity and/or loan capital. For details of the shareholders' agreement and CNTIC VPower, please refer to the announcement of the Company published on 18 May 2020 and the paragraph headed "Business Review" in this announcement.

### **ISSUANCE OF EQUITY SECURITIES FOR CASH**

On 14 July 2020, the Company, Energy Garden Limited, a controlling shareholder of the Company, and two placing agents entered into the placing and subscription agreement, pursuant to which (i) Energy Garden Limited agreed to appoint the placing agents, and the placing agents agreed to procure not less than six places who are selected professional, institutional and/or other investors to purchase up to 83,000,000 placing shares of HK\$0.1 each of the Company (the "**Share**") at the placing price of HK\$3.75 per share, representing a discount of approximately 12.99% to the closing price per Share of HK\$4.31 quoted on The Stock Exchange of Hong Kong Limited on 14 July 2020, on a best effort basis (the "**Placing**"); and (ii) Energy Garden Limited agreed to subscribe for the same number of new Shares as the placing shares that had been placed under the Placing at the placing price (the "**Subscription**", together with the Placing, the "**Top-up Placing**"). The net subscription price, after deducting related fees and expenses, was approximately HK\$3.53 per subscription Share. Completion of the Placing and the Subscription in respect of 83,000,000 Shares took place on 17 July 2020 and 23 July 2020, respectively.

The Company had received net proceeds of approximately HK\$293.3 million from the Top-up Placing; and such proceeds were utilised to fund the Group's investment in CNTIC VPower and other new IBO projects in the pipeline, debt repayment and as general working capital of the Group, in line with the intended use of proceeds as disclosed in the announcement of the Company on the Top-up Placing published on 14 July 2020.

## **EMPLOYEES**

As at 31 December 2020, the Group had 628 employees (2019: 466). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus in cash and shares of the Company through share option schemes and a share award scheme to motivate valued employees. In 2020, 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.

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK3.45 cents per share for the year ended 31 December 2020 (2019: HK2.20 cents) to shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 11 June 2021 (the “**2021 AGM**”).

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash in whole or in part under a scrip dividend scheme (the “**Scrip Dividend Scheme**”). The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Monday, 28 June 2021.

The Scrip Dividend Scheme is conditional upon the Company having passed the resolution relating to the payment of the final dividend at the 2021 AGM and the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about Wednesday, 28 July 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to attend the 2021 AGM, the register of members of the Company will be closed during the period from Tuesday, 8 June 2021 to Friday, 11 June 2021 (both days inclusive), during which period no transfer of share(s) of the Company will be effected. In order to qualify for attending and voting at the 2021 AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 7 June 2021.

For the purpose of determining the entitlement to the proposed final dividend and the Scrip Dividend Scheme, the register of members of the Company will be closed during the period from Friday, 18 June 2021 to Tuesday, 22 June 2021 (both days inclusive), during which period no transfer of share(s) of the Company will be effected. In order to qualify for the proposed final dividend and the Scrip Dividend Scheme, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

## **CORPORATE GOVERNANCE**

During the year ended 31 December 2020, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors of the Company during the year ended 31 December 2020.

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

In 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed with the management of the Company and the external auditors of the Company the accounting principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the annual results of the Company for the year ended 31 December 2020.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review

Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

## **PUBLICATION OF 2020 FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Company's corporate website at [www.vpower.com](http://www.vpower.com) under "Investors" and the HKEXnews at [www.hkexnews.hk](http://www.hkexnews.hk) under "Listed Company Information". It is expected that the 2020 Annual Report will be despatched to shareholders of the Company and posted at the aforesaid websites in April 2021.

## **ANNUAL GENERAL MEETING**

The 2021 AGM of the Company is scheduled to be held on Friday, 11 June 2021. Notice of the 2021 AGM will be published on the websites of both the Stock Exchange and the Company and despatched to the Company's shareholders in due course.

By Order of the Board  
**VPower Group International Holdings Limited**  
**Lam Yee Chun**  
*Executive Chairman*

Hong Kong, 25 March 2021

*As at the date hereof, the Board comprises Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, Mr. Au-Yeung Tai Hong Rorce and Mr. Lo Siu Yuen as executive directors; Ms. Chan Mei Wan and Mr. Kwok Man Leung as non-executive directors; and Mr. David Tsoi, Mr. Yeung Wai Fai Andrew and Mr. Suen Wai Yu as independent non-executive directors.*