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 2017

KEY HIGHLIGHTS

- Net profit increased 49.2% to HK$331.3 million (2016: HK$222.0 million) with net profit margin improved from 14.5% to 19.0%.
- Revenue rose 14.0% to HK$1,746.0 million (2016: HK$1,531.0 million) while gross profit increased 15.9% to HK$576.8 million (2016: HK$497.8 million).
- The Group made a substantial progress on expanding new IBO markets and continued to penetrate existing markets, including,
  - first project in Peru with installed capacity of 79.8MW and contract length of 20 years,
  - 2 new projects in Indonesia, with installed capacity of 54.0MW and 20.3MW respectively, and
  - entering into Brazil, China and the United Kingdom.
- The Group entered into strategic business initiatives with key partners, including,
  - establishment of an investment fund with CITIC Pacific with an initial fund size of US$160 million to be contributed equally, and
  - establishment of joint ventures with F.K. to develop the Latin American market.
- The Board proposed a final dividend of HK1.76 cents per share. Together with the interim dividend of HK1.47 cents per share paid in 2017, total dividend for 2017 will be HK3.23 cents per share, which is consistent with the Company's post-listing dividend policy of distributing up to 25% of its profit for the year.

KEY FINANCIAL PERFORMANCE

		Year ended 31 December		
		2017	2016	% of Change
		HK$'000	*HK$'000*	
Revenue	— SI	**1,182,863**	1,063,136	11.3%
	— IBO	**563,153**	467,875	20.4%
	— Total	**1,746,016**	1,531,011	14.0%
Gross profit	— SI	**253,821**	227,313	11.7%
	— IBO	**323,006**	270,501	19.4%
	— Total	**576,827**	497,814	15.9%
Net profit for the year		**331,318**	222,013	49.2%
Basic earnings per share		**HK12.99 cents**	HK10.79 cents	20.4%
Diluted earnings per share		**HK12.98 cents**	HK10.79 cents	20.3%

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 2017, together with comparative figures of the last financial year in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*6*	**1,746,016**	1,531,011
Cost of sales		**(1,169,189)**	(1,033,197)
Gross profit		**576,827**	497,814
Other income and gains	*6*	**190,246**	53,997
Selling and distribution expenses		**(29,091)**	(23,973)
Administrative expenses		**(205,031)**	(201,401)
Other expenses, net		**(98,620)**	(4,463)
Finance costs		**(76,999)**	(68,836)
PROFIT BEFORE TAX	*7*	**357,332**	253,138
Income tax expense	*8*	**(26,014)**	(31,125)
PROFIT FOR THE YEAR		**331,318**	222,013
Attributable to:			
Owners of the Company		**331,924**	222,013
Non-controlling interests		**(606)**	—
		331,318	222,013
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**HK12.99 cents**	HK10.79 cents
Diluted		**HK12.98 cents**	HK10.79 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**331,318**	222,013
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**16,913**	(11,137)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**16,913**	(11,137)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**348,231**	210,876
Attributable to:		
Owners of the Company	**348,825**	210,876
Non-controlling interests	**(594)**	—
	348,231	210,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,189,082**	1,930,933
Investment property		**—**	19,000
Deposits		**608,597**	11,039
Deferred tax assets		**5,329**	5,965
Total non-current assets		**2,803,008**	1,966,937
CURRENT ASSETS			
Inventories		**712,451**	545,810
Trade and bills receivables	*11*	**780,898**	708,206
Prepayments, deposits and other receivables		**314,838**	102,496
Due from related companies		**96**	6,519
Derivative financial instrument		**90,386**	—
Tax recoverable		**25,669**	12,438
Pledged deposits		**165,759**	290,945
Cash and cash equivalents		**1,033,502**	1,392,009
Total current assets		**3,123,599**	3,058,423
CURRENT LIABILITIES			
Trade and bills payables	*12*	**904,075**	408,398
Other payables and accruals		**832,025**	556,304
Interest-bearing bank and other borrowings		**532,392**	716,588
Tax payable		**17,808**	26,165
Provision for restoration		**3,672**	1,420
Total current liabilities		**2,289,972**	1,708,875
NET CURRENT ASSETS		**833,627**	1,349,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,636,635**	3,316,485

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**311,046**	726,800
Interest-bearing bank and other borrowings		**856,651**	321,962
Provision for restoration		**2,330**	1,715
Deferred tax liabilities		**5,886**	3,758
Total non-current liabilities		**1,175,913**	1,054,235
Net assets		**2,460,722**	2,262,250
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**256,159**	256,000
Reserves		**2,205,157**	2,006,250
		2,461,316	2,262,250
Non-controlling interests		**(594)**	—
Total equity		**2,460,722**	2,262,250

NOTES:

1. CORPORATE AND GROUP 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 2019-25, 20/F., Tower 1, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, 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 distributive power solutions, including the design, investment in, building, lease and operation of distributive 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.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2016 (the "**Listing**").

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the reorganisation of the Company in connection with the Listing (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 1 September 2016. The companies now comprising the Group were under the common control of Mr. Lam Yee Chun and Ms. Chan Mei Wan (the "**Controlling Shareholders**") before and after the Reorganisation. Accordingly, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the earliest period presented. Details of the Reorganisation are set out in the paragraphs headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated 14 November 2016.

The consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2016 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

3. 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 instrument which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

4.2 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 the financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to a number of HKFRSs and HKASs[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

5. 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, leases and operates distributive power generation stations to provide distributive power solutions.

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

Segment assets exclude deferred tax assets, amounts due from related companies, derivative financial instrument, tax recoverable, 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 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 2017

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**1,182,863**	**563,153**	**1,746,016**
Intersegment sales	**43,563**	**—**	**43,563**
	1,226,426	**563,153**	**1,789,579**
Reconciliation:			
Elimination of intersegment sales			**(43,563)**
Revenue			**1,746,016**
Segment results	**96,963**	**296,923**	**393,886**
Reconciliation:			
Elimination of intersegment results			**(1,723)**
Bank interest income			**8,307**
Corporate and unallocated income, net			**33,861**
Finance costs			**(76,999)**
Profit before tax			**357,332**
Segment assets	**1,220,988**	**3,327,327**	**4,548,315**
Reconciliation:			
Corporate and unallocated assets			**1,378,292**
Total assets			**5,926,607**
Segment liabilities	**913,127**	**1,123,644**	**2,036,771**
Reconciliation:			
Corporate and unallocated liabilities			**1,429,114**
Total liabilities			**3,465,885**
Other segment information:			
Impairment of trade receivables	**—**	**8,542**	**8,542**
Reversal of impairment of trade receivables	**(489)**	**—**	**(489)**
Write-down of inventories to net realisable value	**2,481**	**—**	**2,481**
Depreciation	**3,497**	**164,388**	**167,885**
Capital expenditure*	**7,667**	**340,228**	**347,895**

* Capital expenditure excludes additions to property, plant and equipment of HK$55,443,000 for corporate assets.

Year ended 31 December 2016

	SI	IBO	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	1,063,136	467,875	1,531,011
Intersegment sales	4,906	—	4,906
	1,068,042	467,875	1,535,917
Reconciliation:			
Elimination of intersegment sales			(4,906)
Revenue			1,531,011
Segment results	204,318	201,696	406,014
Reconciliation:			
Elimination of intersegment results			(300)
Bank interest income			2,128
Corporate and unallocated expenses, net			(85,868)
Finance costs			(68,836)
Profit before tax			253,138
Segment assets	995,742	2,320,987	3,316,729
Reconciliation:			
Corporate and unallocated assets			1,708,631
Total assets			5,025,360
Segment liabilities	435,378	1,243,944	1,679,322
Reconciliation:			
Corporate and unallocated liabilities			1,083,788
Total liabilities			2,763,110
Other segment information:			
Reversal of impairment of trade receivables	(818)	—	(818)
Write-off of items of property, plant and equipment	92	752	844
Write-down of inventories to net realisable value	3,139	—	3,139
Depreciation	2,662	112,789	115,451
Capital expenditure	2,844	1,133,658	1,136,502

Geographical information

(a) ***Revenue from external customers***

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**101,862**	42,298
Mainland China	**350,287**	479,250
Asian countries	**1,207,403**	1,007,008
Other countries	**86,464**	2,455
	1,746,016	1,531,011

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

(b) ***Non-current assets***

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**484,755**	32,569
Mainland China	**14,861**	3,689
Asian countries	**2,098,891**	1,924,223
Other countries	**56,894**	—
	2,655,401	1,960,481

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**434,368**	458,766
Customer B	**305,356**	241,661
Customer C	**N/A***	275,935
	739,724	976,362

* Nil or less than 10% of revenue

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for trade discounts; and the fees earned from the provision of distributive power solutions, including the design, investment in, building, lease and operation of distributive power generation stations.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,182,863**	1,063,136
Provision of distributive power solutions	**563,153**	467,875
	1,746,016	1,531,011
Other income		
Bank interest income	**8,307**	2,128
Loan interest income	**16,601**	201
Other interest income	**—**	2,252
Income from contract assignment/novation	**6,592**	9,341
Rental income	**560**	840
Government grants*	**235**	296
Sales deposits forfeited	**—**	4,597
Others	**3,677**	400
	35,972	20,055
Gains		
Fair value gain on derivative financial instrument	**90,386**	114
Fair value gain on an investment property	**4,400**	—
Gain on debt extinguishment	**49,605**	—
Net gain on settlement of derivative financial instruments	**9,882**	—
Gain on disposal of items of property, plant and equipment, net	**1**	1
Foreign exchange differences, net	**—**	33,827
	154,274	33,942
	190,246	53,997

* Various government grants have been received by a subsidiary as the subsidiary was qualified as a high-technology enterprise in the PRC. There were no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Depreciation*	**168,294**	115,451
Net loss/(gain) on settlement of derivative financial instruments	**(9,882)**	698#
Fair value loss/(gain) on an investment property	**(4,400)**	600#
Foreign exchange differences, net	**88,054#**	(33,827)
Impairment of trade receivables#	**8,542**	—
Reversal of impairment of trade receivables#	**(489)**	(818)
Write-off of items of property, plant and equipment#	**—**	844
Write-down of inventories to net realisable value#	**2,481**	3,139
Equity-settled share option expense	**4,502**	796

* Included in the cost of sales for the year was depreciation charges of HK$151,894,000 (2016: HK$112,991,000).

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

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2017	2016
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**1,763**	19,157
Overprovision in prior years	**(20)**	(61)
Current — Elsewhere		
Charge for the year	**22,437**	17,646
Overprovision in prior years	**(930)**	(1,636)
Deferred	**2,764**	(3,981)
Total tax charge for the year	**26,014**	31,125

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final 2016 — HK2.57 cents (2015: Nil) per ordinary share	**65,792**	—
Interim 2017 — HK1.47 cents (2016: Nil) per ordinary share	**37,632**	—
Less: Dividend for shares held under the share award scheme	**(121)**	—
	37,511	—
	103,303	—
Final dividend proposed after the end of the reporting period:		
Proposed final 2017 — HK1.76 cents (2016: HK2.57 cents) per ordinary share	**45,084**	65,792

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

Prior to the Listing, an interim dividend of HK$50,002,000 was declared by Crest Pacific Investments Limited ("**Crest Pacific**"), a subsidiary of the Company, to the then shareholders during the year ended 31 December 2016.

10. 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$331,924,000 (2016: HK$222,013,000), and the weighted average number of ordinary shares of 2,555,633,054 (2016: 2,058,142,077) in issue during the year, as adjusted to exclude the shares held under the share award scheme. In the prior year, the weighted average number of ordinary shares was on the assumption that the Reorganisation had been completed on 1 January 2016.

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$331,924,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,555,633,054 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,062,356 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares. No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**791,134**	710,281
Impairment	**(10,236)**	(2,075)
	780,898	708,206

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 365 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior 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.

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**465,079**	326,882
31 to 60 days	**80,008**	92,209
61 to 90 days	**56,005**	48,328
91 to 180 days	**67,029**	191,973
181 to 360 days	**91,074**	41,968
Over 360 days	**21,703**	6,846
	780,898	708,206

12. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**162,087**	139,733
1 to 2 months	**98,801**	43,110
2 to 3 months	**96,348**	40,685
Over 3 months	**546,839**	184,870
	904,075	408,398

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

13. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,561,594,000 (2016: 2,560,000,000) ordinary shares of HK$0.1 each	**256,159**	256,000

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

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*
Authorised:			
Upon incorporation on 22 February 2016	*(a)*	3,800,000	380
Increase in authorised share capital	*(b)*	4,996,200,000	499,620
At 31 December 2016, at 1 January 2017 and at 31 December 2017		5,000,000,000	500,000
Issued and fully paid:			
Upon incorporation on 22 February 2016	*(a)*	1	—
Issuance of shares pursuant to the Reorganisation	*(c)*	1,999,999,999	200,000
Issuance of shares under initial public offering	*(d)*	560,000,000	56,000
At 31 December 2016 and at 1 January 2017		2,560,000,000	256,000
Share options exercised	*(e)*	1,594,000	159
At 31 December 2017		2,561,594,000	256,159

(a) On 22 February 2016, the Company was incorporated with authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each. On the same date, 1 ordinary share of HK$0.1 was allotted and issued at par to the initial subscriber, and was subsequently transferred to the immediate holding company of the Company on 1 September 2016 pursuant to the Reorganisation.

(b) On 1 September 2016, the authorised share capital of the Company was increased by HK$499,620,000 by the creation of 4,996,200,000 additional ordinary shares of HK$0.1 each, ranking *pari passu* in all respects with the existing shares of the Company.

(c) On 1 September 2016, the Company allotted and issued 1,999,999,999 ordinary shares of HK$0.1 each to the then shareholders of Crest Pacific in exchange for the entire issued share capital of Crest Pacific pursuant to the Reorganisation.

(d) In connection with the Company's initial public offering, 560,000,000 ordinary shares of HK$0.1 each were issued at a price of HK$2.88 per share for a total cash consideration, before expenses, of approximately HK$1,612,800,000. Dealing in the shares of the Company on the Stock Exchange commenced on 24 November 2016.

(e) The subscription rights attaching to 1,594,000 share options were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 1,594,000 ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$3,213,000. An amount of HK$1,903,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are principally engaged in (i) system integration ("**SI**") business, in which we design, integrate and sell gas-fired and diesel-fired engine-based gen-sets and power generation systems ("**PGSs**"); and (ii) invest, build and operate ("**IBO**") business, in which we invest in, build and lease and operate distributed power stations to deliver electricity to the off-takers.

Business Review and Development

SI Business

According to market research, the global market and Asia Pacific market for gen-sets will grow at a CAGR of approximately 8.7% and 9.8% from 2015 to 2020 respectively. Such growth is mainly attributable to the growing demand from the power reserve market to supplement renewable energy generation which is replacing the less clean energy generation formats (such as coal-fired) in developed markets, the increasing demand by data centres and e-commerce logistics centers for reliable electricity, and the improving natural gas supplies and transition to clean energy in Asia Pacific and China.

We have more than 20 years of operational experience in SI business. Our SI sales mainly cover the fast-growing applications including industry-grade and utility-grade distributed power generation ("**DPG**") stations, governmental, residential and commercial buildings, hotels, data centers, telecommunication projects and railway projects in the Asia Pacific, Latin America, Middle East and Africa regions. In 2017, our market penetration has continued to expand in various applications such as data centers, e-commerce logistics centres and marine vessels markets. Our SI business segment recorded a revenue of HK$1,182.9 million for the year ended 31 December 2017 (2016: HK$1,063.1 million), representing a year-on-year increase of approximately 11.3%. We have consistently achieved higher than industry average growth in SI business over the years and further our lead in the SI market. With our SI and IBO businesses complementing each other, we can enhance our economies of scale and bargaining power, deepen our industry knowledge, and thus create further lead against competition.

IBO Business

Southeast Asia has experienced strong power demand growth in the past few years, a trend which is set to continue through 2020, in particular under the support of the Belt and Road Initiative of China. However, most of the emerging markets in Southeast Asia are suffering from severe power shortage with low electrification rates and high transmission losses. Our IBO operating countries, Indonesia, Myanmar and Bangladesh are three of such markets. The difficulties in accessing sufficient capital and the prolonged sub-optimal power supply planning make the lower capital required, flexible, fast-track DPG one of the most effective power solutions to bridge the gap on a timely basis. According to market research, DPG installed capacity in Southeast Asia is expected to reach 39.7GW in 2020, representing a CAGR of approximately 10.7% from 2015 to 2020. Gas-fired DPG installed capacity is expected to grow at a CAGR of approximately 20.7% over the same period.

In response to the rising demand for DPG solutions globally and to maintain sustainable business growth, we are building a strategic global network covering existing markets (such as Southeast Asia) and new markets (such as Latin America, China, Middle East and the United Kingdom). In 2017, we were active in (i) exploring new markets for both our IBO and SI businesses; and (ii) identifying strategic partner(s) and/or acquisition target(s) for various new markets and segments.

In May 2017, we announced our first participation in the Latin American market by offering a 3-year convertible loan of US$30 million to a heavy fuel oil ("**HFO**") DPG project owned by F.K. Generators and Equipment Ltd ("**F.K.**") in Peru ("**Iquitos Project**"). Following the commencement of operation of the project in October 2017, we exercised the option to acquire 51% equity of the project company at a consideration of US$4.6 million which was satisfied by way of set-off against the same amount in the US$30 million convertible loan in February 2018. The project has a contract term of 20 years which is expected to provide a long term and stable revenue stream to the Group and establish our presence in Latin America. We also won three DPG tenders of a planned install capacity of 70.3MW in Brazil jointly with a subsidiary of F.K., marking our further expansion in Latin America and the effectiveness of collaboration with our existing SI customer.

During the year, we also secured our first biogas project equipped with combined heat and power ("**CHP**") system in China with a contract length of 15 years. The first phase of the project is expected to commence operation in 2018. In August 2017, we announced a potential acquisition in the Middle East and we are continuing to discuss with the relevant parties to optimise and finalise the transaction structure and documentation.

As at 31 December 2017, we had 10 (2016: 8) DPG projects in commercial operation in Indonesia, Myanmar and Bangladesh, with an aggregate installed capacity of 581.4MW (2016: 507.1MW). Subsequent to 31 December 2017, the Iquitos Project was added to our portfolio after we converted the convertible loan in February 2018. The following table shows our DPG projects in operation as of the date of this announcement:

Projects	**Installed capacity** *(MW)*[(1)]	**Contract length** *(months)*[(2)]	**Country**
Teluk Lembu I	20.3	12	Indonesia
Teluk Lembu II	65.8	60	Indonesia
Palembang	56.2	12	Indonesia
Jambi	56.4	60	Indonesia
Medan[(3)]	54.0	12	Indonesia
Rengat	20.3	36	Indonesia
Subtotal	273.0		
Kyauk Phyu I	49.9	60	Myanmar
Kyauk Phyu II	49.9	60	Myanmar
Myingyan	149.8	60	Myanmar
Subtotal	249.6		
Pagla	58.8	60	Bangladesh
Iquitos[(4)]	79.8	240	Peru
Total	661.2		

Notes:

(1) Installed capacity refers to the maximum power generating capacity of the DPG station based on aggregate capacity of PGSs installed.

(2) Contract length refers to the length of the contract in effect.

(3) The Medan project consists of Aceh, Tanjung Belit, Tembilahan and Kota Tengah DPG stations.

(4) We hold 51% equity interest of the project company operating the Iquitos Project following the conversion of a convertible loan in February 2018.

Our IBO business segment recorded a revenue of HK$563.2 million for the year ended 31 December 2017 (2016: HK$467.9 million), representing a year-on-year increase of approximately 20.4%. The increase in IBO revenue was primarily contributed by the following:

(i) the IBO projects (including Kyauk Phyu II, Myingyan and Jambi projects) which commenced operation in 2016 and had full year revenue contribution in 2017; and

(ii) the new IBO projects (including Medan and Rengat projects) which commenced operation in 2017 and contributed to our revenue partially in 2017.

We have accumulated a list of projects with signed contracts and memorandum of understanding ("**MOU**"). The following table shows our potential projects as of the date of this announcement:

Projects	**Install capacity** *(MW)*	**Country**
Karimun	7.8	Indonesia
China Biogas	26.8	China
Amazonas State	70.3	Brazil
National Grid	20.3	United Kingdom
Bangladesh	218.8	Bangladesh
Pagla II	58.8	Bangladesh
Ghana	56.2	Ghana
Total	459.0	

In addition, as of the date of this announcement, we have over 8 potential projects with over 550MW planned install capacity under advanced negotiation or tender submission process in Myanmar, Indonesia, China, the United Kingdom, the Middle East and Latin America.

Research and Development

In recognition of the accelerating move to a greener and digitalized future across the world, we put great emphasis and resources on technology innovation and system enhancement to offer more efficient and cleaner power solutions. During the year, we strove to improve the efficiency of our systems by focusing on:

(i) the continuous improvement in the quality, functionality, efficiency, reliability and cost structure of our existing gen-sets and DPG stations. For example, the Group has upgraded ISO containerized 20-foot PGS with a maximum power output of up to 2.0MW;

(ii) the development of sustainable operating model on waste reduction, including recycling and reuse of used lubricant oil by reprocessing it through technological advanced filtration system with no technical compromise to the engine's performance; and

(iii) Reviewing the possibility to use hybrid system in new projects.

To further digitalise our system platform, we are developing a real-time mobile monitoring system to monitor the IBO projects in operation. By keeping the entire power generating solutions under close surveillance on mobile phones, our project team can monitor and analyse the performance of each system in our stations anytime and anywhere around the world.

OUTLOOK

The year of 2017 was a fruitful year for the Group in building a global network for long term business development and growth. While further enhancing our leadership in SI industry, we have successfully expanded our IBO business from Southeast Asia to Latin America, which makes our IBO business more balanced in terms of geography, contract length and fuel type. Looking ahead, we expect the DPG market fundamentals to remain strong, and therefore, we will continue to penetrate our existing markets and have plans to enter into new markets such as China, the United Kingdom and the Middle East.

In emerging markets, structural power deficit coinciding with escalating power demand has been a long-lasting problem whilst the upcoming opportunities brought by the Belt and Road Initiative of China have placed further pressure on existing aging power systems. In Myanmar, the power capacity is forecasted to be increased to over 29,000MW by 2031 in order to cope with the low electrification rate and low reliability of power supply problems, which are major considerations to foreign investment. Indonesia's electricity demand is projected to grow at around 8.4% per annum between 2017 and 2026. To meet such demand, the government has launched a 35,000MW power capacity expansion program by 2019. In Bangladesh, it is forecasted that the generation capacity will add about 11,600MW by 2021, with an aim to provide quality and reliable electricity for economic and social development. Leveraging on our extensive experience in Southeast Asia, we are confident in strengthening our market leadership by securing more IBO projects in the region.

Replicating the success in Southeast Asia and leveraging our well-established SI global network, we expanded our IBO business into Latin America recently. We added the Iquitos Project in Peru and won the 70.3MW tenders in Brazil. The World Bank expects Latin America's power consumption to more than double between 2010 and 2030, and estimates that US$430 billion of investment will be needed to meet that demand. Given the rising energy demand associated with economic growth in the region and the enhancing government support to accelerate the development of stable power supply, we expect the potential of the Latin American market to be enormous.

In China, we are expecting the first phase of our first biogas project with CHP system to commercially operate in 2018. Under China's 13th Five-Year Plan for energy, the power industry will undergo a new era with focus on low carbon footprint, different energy mix and proper treatment of biogas, agricultural and animal waste, and the promotion of using CHP. The government's strong momentum to widely adopt DPG solutions favours our expansion in China.

Developed countries are experiencing an increasing demand for DPG solutions primarily driven by their accelerating power reform to replace the old coal-fired power generation with renewable and clean energy generation, and using flexible power reserve (including DPG) to supplement renewable energy and respond to balance systems. The intermittent nature of renewable energy has made the flexible power such as our engine-based DPG solutions an ideal solution to mitigate the erratic power supply. For example, in the United Kingdom, flexible and distributed energy sources will reach 25GW by 2030, almost tripling from the current level, according to market research. With the tremendous market potential in these markets, we are planning to enter into the developed market such as the United Kingdom market.

The Belt and Road Initiative of China has been recognised as the major momentum to fuel the global economic growth for coming decades. To seize the numerous potentials in the regions and maintain a sustainable development, we have established Tamar VPower Energy Fund I (the "**Fund**") with CITIC Pacific, one of the biggest conglomerates in China, on an equal basis in January 2018. The Fund, with an initial committed capital of US$160 million, will seek long-term capital appreciation by way of investments in companies or operating projects in the energy sector positioned to benefit from economic growth in China, Central Asia, Southeast Asia and other markets encompassed by the Belt and Road Initiative. The combination of the rich resources of CITIC Pacific and our well-established leadership in the DPG industry enables us to capture attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative.

We are seeing good opportunities in acquisition due to some consolidations in the industry and the changing energy mix and power reform in developed countries. We, either by ourselves, through the Fund or together with our strategic partners, will continue to monitor and evaluate the various opportunities from time to time.

The global power market is experiencing a major transition and becoming more dynamic as more emphasis is placed on low-carbon, energy efficiency and decentralisation. With the above strategic and substantial business developments, we are confident to maintain a strong and sustainable growth, and most importantly, lighten up the world with endless possibilities and cleaner energy.

Financial Review

Revenue

The revenue of the Group was mainly derived from: (i) SI business by providing gen-sets and PGSs 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.

In 2017, the Group recorded a revenue of approximately HK$1,746.0 million, representing an increase of 14.0% as compared with approximately HK$1,531.0 million of the previous year. The increase in revenue was mainly due to the growth of IBO business. Please refer to IBO Business as set out in the paragraph headed "Business Review" for the significant increase in IBO 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			
	2017		2016	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong	**101,862**	**5.8**	42,298	2.8
Mainland China	**350,287**	**20.1**	479,250	31.3
Other Asian countries/territories[(1)]	**644,250**	**36.9**	539,133	35.2
Other countries/territories[(2)]	**86,464**	**4.9**	2,455	0.2
Total	**1,182,863**	**67.7**	1,063,136	69.5

Notes:

(1) Other Asian countries/territories include Singapore, United Arab Emirates, South Korea, Israel, the Philippines, Bangladesh and Macau.

(2) Other countries/territories include Peru, Greece, Mexico and other countries in Africa.

Our contracts for our IBO business are primarily denominated in U.S. dollars and IDR. The table below sets forth a revenue 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			
	2017		2016	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Indonesia	**183,145**	**10.5**	133,796	8.7
Bangladesh	**74,652**	**4.3**	92,418	6.0
Myanmar	**305,356**	**17.5**	241,661	15.8
Total	**563,153**	**32.3**	467,875	30.5

Cost of sales

Under our SI business, our cost of sales mainly consists of cost of goods sold and services provided, staff costs, rental expense and depreciation. We use engines, radiators, alternators, other parts and ancillary equipment to produce gen-sets and PGSs. We incur rental expense for our manufacturing facilities.

Under our IBO business, our cost of sales mainly includes depreciation and operating expenses. We utilize contractors to operate and maintain our DPG stations.

For the years ended 31 December 2017 and 2016, our cost of sales was HK$1,169.2 million and HK$1,033.2 million, respectively, due to the increase in our IBO business.

Gross profit and gross profit margin

	Year ended 31 December			
	2017		2016	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**253,821**	**21.4**	227,313	21.4
IBO	**323,006**	**57.4**	270,501	57.8
Total	**576,827**	**33.0**	497,814	32.5

Gross profit of the Group was approximately HK$576.8 million, representing an increase of 15.9% as compared with approximately HK$497.8 million of the previous year. Gross profit margin for this year increased from 32.5% to 33.0% which was mainly attributable to the increase in sales mix of IBO business.

Profit before tax

Profit before tax for the year ended 31 December 2017 was approximately HK$357.3 million, representing an increase of 41.2% as compared with HK$253.1 million of the previous year. The increase was mainly due to (i) increase in number of IBO projects which increased the revenue contributed by the IBO business; (ii) one-off gains for fair value gain on derivative financial instrument in relation to an option contract to subscribe for equity interest in a company holding the Iquitos Project and gain on debt extinguishment in relation to payables to EPC Contractors; and (iii) offset by net foreign exchange loss.

Other income and gains

In 2017, other income and gains of the Group amounted to approximately HK$190.2 million, representing an increase of 252.2% as compared with approximately HK$54.0 million of the previous year. The increase was mainly attributable to fair value gain on derivative financial instrument in relation to an option contract to subscribe for equity interest in a company holding the Iquitos Project and gain on debt extinguishment in relation to payables to EPC Contractors.

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 2017, selling and distribution expenses of the Group increased by 21.3% from approximately HK$24.0 million in 2016 to HK$29.1 million in 2017. It was mainly attributable to the increase in transportation cost.

Administrative expenses

Administrative expenses primarily consist of administrative service fees paid to an intermediate off-taker and an administrative service provider of our DPG station in Bangladesh, staff costs, legal and 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 2017, administrative expenses of the Group were approximately HK$205.0 million, an increase of 1.8% over the previous year of approximately HK$201.4 million. It was mainly due to (i) an increase in office, staff costs as well as traveling and related expenses as we expanded our business and DPG stations; and (ii) offset by decrease in legal and professional fees arising from 2016 listing expenses.

Other expenses, net

Net other expenses of the Group primarily consist of net foreign exchange differences, impairment of trade receivables and write-down of inventories to net realisable value. In 2017, net other expenses were approximately HK$98.6 million, which represented an increase of 2,091.1% over the previous year of approximately HK$4.5 million. It was mainly attributable to an increase of net foreign exchange loss primarily due to the Euro appreciation in 2017.

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 finance leases and other borrowings. In 2017, finance costs was approximately HK$77.0 million, which represented an increase of 11.9% over the previous year of approximately HK$68.8 million. It is primarily due to an increase in notional interests for EPC payable.

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 2017, income tax expense was approximately HK$26.0 million, a decrease of 16.4% over the previous year of approximately HK$31.1 million, primarily due to a decrease in our taxable income. Our effective tax rate was 7.3% and 12.3% for 2017 and 2016, respectively. The decrease in effective tax rate was primarily due to (i) a significant increase in overseas IBO business in 2017, which was subject to a lower tax rate than our SI business in Hong Kong.

Profit Attributable to Owners and Earnings per Share

In 2017, profit attributable to owners of the Company was approximately HK$331.9 million, representing an increase of approximately HK$109.9 million or approximately 49.5% as compared with approximately HK$222.0 million of the previous year.

Basic earnings per share for the year ended 31 December 2017 were HK12.99 cents as compared with HK10.79 cents of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2017, total current assets to the Group amounted to HK$3,123.6 million (2016: HK$3,058.4 million). In terms of financial resources as at 31 December 2017, cash and cash equivalents of the Group were HK$1,033.5 million (2016: HK$1,392.0 million).

As at 31 December 2017, total bank and other borrowings of the Group amounted to approximately HK$1,389.0 million (2016: HK$1,038.6 million), representing an increase of approximately 33.7% as compared to that of 31 December 2016. 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 2017, the Group's bank and other borrowings denominated in U.S. dollars and Euro were approximately HK$984.9 million (2016: HK$593.2 million) and approximately HK$178.1 million (2016: HK$415.4 million), respectively.

The Group's gearing ratio, which is calculated as a percentage of total interest-bearing bank and other borrowings to shareholders' equity, was approximately 56.4% (2016: 45.9%). As at 31 December 2017, the Group's current ratio was 1.4 (2016: 1.8). The Group's net gearing ratio, which is calculated based on the percentage of total debts less cash and cash equivalents and pledged deposits to total equity was approximately 7.7% (2016: –28.5%).

Pledge of Assets

As at 31 December 2017, the Group pledged certain property, plant and equipment with a net book value of approximately HK$196.1 million (2016: HK$641.1 million) to certain banks and a finance leasing company to secure bank and other borrowings.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenue and payments are mainly in U.S. dollars, IDR, Renminbi and Euro. The impact of such difference would translate into our exposure to any particular currency fluctuations during the year. The Group has a hedging policy to manage such risks and costs associated with currency fluctuations.

Contingent Liabilities

Contingent liabilities as at 31 December 2017 will be disclosed in the notes to the financial statements in the annual report.

Capital Expenditures

For the year ended 31 December 2017, the Group invested HK$403.3 million (2016: HK$1,136.5 million) in property, plant and equipment and spent HK$340.2 million (2016: HK$1,133.7 million) mainly for IBO projects relate to prospective DPG projects located in Indonesia and Myanmar.

EMPLOYEES

As at 31 December 2017, the Group had 293 employees (2016: 215). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has share option schemes and a share award scheme to motivate valued employees.

FINAL DIVIDEND

The Board of the Company recommends the payment of a final dividend of HK1.76 cents per share for the year ended 31 December 2017 (2016: HK2.57 cents) to shareholders whose names appear on the register of members of the Company on 6 June 2018 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 29 May 2018 (the "**2018 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the 2018 AGM, the register of members of the Company will be closed during the period from Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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 2018 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 by not later than 4:30 p.m. on Wednesday, 23 May 2018.

For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed during the period from Monday, 4 June 2018 to Wednesday, 6 June 2018 (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, 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 Friday, 1 June 2018.

Use of Proceeds from the Global Offering

The total net proceeds from the listing which involved the issue of 560,000,000 ordinary shares of HK$0.10 each of the Company on 24 November 2016 amounted to approximately HK$1,517.0 million (after deducting all listing related expenses). During the period between 24 November 2016 to 31 December 2016 and the year ended 31 December 2017, a total of HK$157.7 million and a total of HKD1,086.6 million, respectively, were utilised according to the intended use of net proceeds mentioned in the Prospectus ("**Net Proceeds**"). For details of the utilisation on each of the intended use of Net Proceeds, please refer to the Company's 2017 annual report.

The unutilised amount of the net proceeds of approximately HK$272.7 million will be applied in the manner consistent with that mentioned in the Prospectus.

The Board is not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

The untilised Net Proceeds have been placed as bank balance/time deposits with licensed banks in Hong Kong as at the date of this Announcement.

CORPORATE GOVERNANCE

The Company will continue its effort in maintaining high corporate governance standards so as to ensure better transparency and protection of interests of the shareholders and the Company. During the year ended 31 December 2017, the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 as set out in the Model Code regarding securities transactions by directors during the year ended 31 December 2017.

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

During 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the share award scheme adopted by the Company on 18 July 2017 (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 11,181,000 ordinary shares of the Company at a total consideration of HK$54,171,000.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has met with the external auditors of the Company and reviewed the Group's annual results for the year ended 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

(i) On 29 January 2018, the Company and CITIC Pacific Limited ("**CITIC**"), through their respective subsidiaries, agreed to establish Tamar VPower Energy Fund I ("**Fund**") with an investment objective of seeking long term capital appreciation by way of investments in companies or operating projects in the energy sector positioned to benefit from economic growth in the People's Republic of China, Central Asia, and Southeast Asia, and in markets encompassed by the Belt and Road Initiative of the PRC.

    Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC, 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 of US$80 million (equivalent to HK$624 million) to subscribe for interest of the Fund through its own indirect wholly owned subsidiary and the special limited partner of the Fund.

    Details of the Fund and the Company's capital commitments in the Fund are set out in the announcement of the Company dated 29 January 2018 and the clarification announcement of the Company dated 30 January 2018.

(ii) During the year of 2017, VPower Group Holdings Limited ("**VGH**"), an indirect wholly-owned subsidiary of the Company, advanced to Genrent del Peru S.A.C. (the "**Project Company**") a loan in the total sum of US$30 million (equivalent to HK$234 million) which could be convertible into equity interest in the Project Company. On 2 February 2018, VGH exercised the option to subscribe for 51% of the ordinary voting shares in the capital of the Project Company at the exercise consideration of US$4.6 million (equivalent to HK$35.8 million) and which was satisfied by way of set-off against the same amount of the outstanding convertible loan advanced by VGH to the Project Company. Following the option exercise, the Project Company has become a 51% owned subsidiary of the Company.

On 2 February 2018, the Project Company completed issuance to institutional investors in the United States of America 19-year unlisted secured senior notes with the principal amount of US$106.5 million (equivalent to HK$830.7 million) (the "**Senior Notes**") to fund, among other things, the repayment of existing bank and other loans and the working capital requirements of the distributed power generation project of the Project Company. The Senior Notes are non-recourse and secured by a first priority security interest in the assets of Project Company and the entire interest in the Project Company held by its shareholders including VGH.

Details of the option exercise and the issuance of the Senior Notes by the Project Company are set out in the announcement of the Company dated 5 February 2018.

APPRECIATION

We would like to take this opportunity to send our gratitude to our shareholders, customers, suppliers and partners for their continuous support and confidence to the Group and express our appreciation to our executives and staff for their dedication and contribution during the past year.

PUBLICATION OF 2017 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's corporate website at www.vpower.com under "Investors" and the HKEXnews at www.hkexnews.hk under "Listed Company Information". It is expected that the 2017 Annual Report will be despatched to shareholders of the Company and posted at the aforesaid websites in April 2018.

ANNUAL GENERAL MEETING

The 2018 AGM of the Company is scheduled to be held on Tuesday, 29 May 2018. Notice of the 2018 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, 26 March 2018

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.