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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

KEY HIGHLIGHTS

- Revenue increased 16.3% to HK$1,089.4 million. Revenue from SI and IBO businesses rose 8.1% and 30.9% respectively.

- Gross profit grew 13.6% to HK$373.9 million. Gross profit of IBO business, which has a higher gross profit margin, increased 15.1% to HK$226.7 million, accounting for 60.6% of our total gross profit.

- Net profit for the period increased 0.4% to HK$150.9 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 term of 20 years (in operation);

  — first biogas project (first phase with installed capacity of 8.2MW) equipped with CHP system in China with a contract term of 15 years (in trial operation);

  — new project in Myanmar with planned installed capacity of 109.7MW and contract term of 5 years; and

  — first project in the United Kingdom with planned installed capacity of 20.3MW and contract term of 15 years.

- In January 2018, the Group and CITIC Pacific established an energy fund and committed in equal shares to the initial fund size of US$160 million. Since its establishment, the Fund has invested in two companies, namely Byrne Equipment Rental LLC and Orcan International Energy Technology Co., Ltd.

- The Board declared an interim dividend of HK1.47 cents per share.

The board of directors (the "**Board**") of VPower Group International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018, together with comparative figures of the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,089,404**	936,394
Cost of sales		**(715,513)**	(607,403)
Gross profit		**373,891**	328,991
Other income and gains	*4*	**33,346**	15,347
Selling and distribution expenses		**(12,053)**	(9,814)
Administrative expenses		**(109,833)**	(76,045)
Other expenses, net		**(41,111)**	(61,155)
Finance costs		**(79,786)**	(38,950)
Share of profit or loss from joint ventures		**(2,462)**	—
PROFIT BEFORE TAX	*5*	**161,992**	158,374
Income tax	*6*	**(11,125)**	(8,151)
PROFIT FOR THE PERIOD		**150,867**	150,223
Attributable to:			
Owners of the Company		**155,063**	150,223
Non-controlling interests		**(4,196)**	—
		150,867	150,223
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK6.08 cents**	HK5.87 cents
Diluted		**HK6.07 cents**	HK5.86 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**150,867**	150,223
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	**(2,118)**	6,066
Other comprehensive income not yet to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluations	**1,063**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(1,055)**	6,066
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**149,812**	156,289
Attributable to:		
Owners of the Company	**153,638**	156,289
Non-controlling interests	**(3,826)**	—
	149,812	156,289

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,985,818**	2,189,082
Investment property		**25,000**	—
Intangible assets		**54,597**	—
Goodwill		**62,541**	—
Interests in joint ventures	10	**234,197**	—
Deposits and other receivables		**522,814**	608,597
Deferred tax assets		**3,215**	5,329
Total non-current assets		**3,888,182**	2,803,008
CURRENT ASSETS			
Inventories		**806,938**	712,451
Trade and bills receivables	11	**1,045,608**	780,898
Prepayments, deposits and other receivables		**289,581**	314,838
Derivative financial asset		**—**	90,386
Due from related companies		**3,313**	96
Loan receivable from non-controlling interests		**45,068**	—
Tax recoverable		**59,458**	25,669
Pledged deposits		**59,573**	165,759
Cash and cash equivalents		**975,623**	1,033,502
Total current assets		**3,285,162**	3,123,599
CURRENT LIABILITIES			
Trade and bills payables	12	**337,008**	904,075
Other payables and accruals		**193,669**	832,025
Contract liabilities		**45,802**	—
Derivative financial liability		**4,828**	—
Due to related companies		**1,896**	—
Loan payable to non-controlling interests		**82,027**	—
Interest-bearing bank and other borrowings		**1,688,681**	532,392
Senior notes		**1,064**	—
Tax payable		**7,964**	17,808
Provision for restoration		**2,862**	3,672
Total current liabilities		**2,365,801**	2,289,972
NET CURRENT ASSETS		**919,361**	833,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,807,543**	3,636,635

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**67,131**	311,046
Interest-bearing bank and other borrowings		**1,349,944**	856,651
Senior notes		**784,287**	—
Provision for restoration		**2,330**	2,330
Deferred tax liabilities		**13,963**	5,886
Total non-current liabilities		**2,217,655**	1,175,913
Net assets		**2,589,888**	2,460,722
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**256,186**	256,159
Reserves		**2,311,521**	2,205,157
		2,567,707	2,461,316
Non-controlling interests		**22,181**	(594)
Total equity		**2,589,888**	2,460,722

NOTES:

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended 30 June 2018, 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, lease 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.

The shares of the Company commenced listing on the Main Board of The Stock Exchange of Hong Kong Limited on 24 November 2016.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with the Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

(a) Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the first time for the Group's annual financial period beginning on or after 1 January 2018. The Company has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15, amendments to HKFRS 15 and HK(IFRIC)-Int 22, the adoption of the above new and revised standards has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

(a) *HKFRS 9 Financial Instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(i) *Classification and measurement*

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Financial assets at fair value through profit or loss comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

(ii) *Impairment*

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the impairment requirements of HKFRS 9 has had no significant impact on the Group's unaudited condensed consolidated interim financial statements.

(b) ***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The effect of adopting HKFRS 15 is as follows:

Impact on the consolidated statement of financial position as at 1 January 2018:

	HK$'000
Decrease in other payables and accruals	(46,610)
Increase in contract liabilities	46,610

There is no material impact on the consolidated statement of cash flows and the basic and diluted earnings per share.

The Group's principal activities consist of 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, lease and operation of distributed power generation stations. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(i) *Design, integration, sale and installation of engine-based electricity generation units*

The Group's contracts with customers for the sale of engine-based electricity generation units generally include one performance obligation. The Group has concluded that revenue from sale of engine-based electricity generation units should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery and installation of the equipment. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

In addition, the Group also reclassified the deferred income for the sale of engine-based electricity generation units of which installation services yet to be rendered to contract liabilities.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in: increase in current portion of contract liabilities amounting to HK$27,128,000; and decrease in current portion of other payables and accruals amounting to HK$27,128,000.

(ii) *Advances received from customers*

Generally, the Group receives short-term advances from its customers. Prior to the adoption of HKFRS 15, the Group presented these advances as other payables and accruals in the consolidated statement of financial position. No interest was accrued on the advances received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of advances from customers.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in: increase in current portion of contract liabilities amounting to HK$19,482,000; and decrease in current portion of other payables and accruals amounting to HK$19,482,000.

(iii) *Presentation and disclosure requirements*

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

(c) *HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any significant impact on the Group's unaudited condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the investment, building and operating ("**IBO**") segment designs, invests in, builds, leases and operates distributed power generation stations to provide distributed power solutions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value 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, loan receivable from non-controlling interests, 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 derivative financial instrument, amount due to related companies, loan payable to non-controlling interests, interest-bearing bank and other borrowings, senior notes, 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.

For the six months ended 30 June 2018 (unaudited)

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**647,230**	**442,174**	**1,089,404**
Intersegment sales	**8,504**	**—**	**8,504**
	655,734	**442,174**	**1,097,908**
Reconciliation:			
Elimination of intersegment sales			**(8,504)**
Revenue			**1,089,404**
Segment results	**92,848**	**182,123**	**274,971**
Reconciliation:			
Elimination of intersegment results			**(1,116)**
Bank interest income			**1,731**
Corporate and unallocated expenses, net			**(33,808)**
Finance costs			**(79,786)**
Profit before tax			**161,992**
Segment assets	**1,612,947**	**4,176,498**	**5,789,445**
Reconciliation:			
Corporate and unallocated assets			**1,383,899**
Total assets			**7,173,344**
Segment liabilities	**372,993**	**458,548**	**831,541**
Reconciliation:			
Corporate and unallocated liabilities			**3,751,915**
Total liabilities			**4,583,456**
Other segment information:			
Reversal of impairment of trade receivables	**(62)**	**—**	**(62)**
Depreciation and amortisation	**2,660**	**102,745**	**105,405**
Capital expenditure*	**6,591**	**914,029**	**920,620**

* Capital expenditure included addition of HK$898.3 million property, plant and equipment arising from acquisition of a subsidiary.

For the six months ended 30 June 2017 (unaudited)

	SI	IBO	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	598,720	337,674	936,394
Intersegment sales	4,751	—	4,751
	603,471	337,674	941,145
Reconciliation:			
Elimination of intersegment sales			(4,751)
Revenue			936,394
Segment results	41,241	179,185	220,426
Reconciliation:			
Elimination of intersegment results			(328)
Bank interest income			5,403
Corporate and unallocated expenses, net			(28,177)
Finance costs			(38,950)
Profit before tax			158,374
Other segment information:			
Reversal of impairment of trade receivables	(479)	—	(479)
Depreciation	1,521	75,991	77,512
Capital expenditure	3,347	189,053	192,400

Year ended 31 December 2017 (audited)

	SI	IBO	Total
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

Geographical information

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**68,978**	2,480
Mainland China	**193,706**	164,264
Latin America	**142,065**	—
Asian countries	**683,263**	690,451
Other countries	**1,392**	79,199
	1,089,404	936,394

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

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

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**532,566**	484,755
Mainland China	**14,149**	14,861
Latin America	**1,009,095**	—
Asian countries	**2,032,463**	2,098,891
Other countries	**62,496**	56,894
	3,650,769	2,655,401

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

4. 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 distributed power solutions, including the design, investment in, building, lease and operation of distributed power generation stations.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**647,230**	598,720
Provision of distributed power solutions	**442,174**	337,674
	1,089,404	936,394
Other income		
Bank interest income	**1,732**	5,403
Loan interest income	**4,108**	4,761
Income from contract assignment/novation	**—**	4,411
Rental income	**—**	420
Sales deposits forfeited	**11,050**	—
Government grants*	**84**	83
Others	**2,525**	269
	19,499	15,347
Gains		
Fair value gain on an investment property	**1,000**	—
Gain on debt extinguishment	**12,847**	—
	13,847	—
	33,346	15,347

* A subsidiary is qualified as a high-and-new technology enterprise in the People's Republic of China and it receives various related government grants. There were no unfulfilled conditions or contingencies relating to these grants received during the reporting period.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation*	**105,405**	77,512
Fair value gain on an investment property	**(1,000)**	—
Fair value loss on derivative financial instrument — transaction not qualifying as hedge	**4,828#**	1,368#
Reversal of impairment of trade receivables	**(62)#**	(479)#
Foreign exchange difference, net	**36,250#**	60,266#
Equity-settled share option expense	**1,060**	2,268

* Included in the cost of sales for the period was depreciation charges of HK$100,388,000 (six months ended 30 June 2017: HK$75,819,000).

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**358**	2,692
Current — Elsewhere		
Charge for the period	**9,810**	5,089
Overprovision in prior periods	**(1,238)**	—
Deferred	**2,195**	370
Total tax charge for the period	**11,125**	8,151

7. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2017:		
HK1.76 cents (year ended 31 December 2016: HK2.57 cents) per ordinary share	**44,887**	65,792
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2018:		
HK1.47 cents (six months ended 30 June 2017: HK1.47 cents) per ordinary share	**37,659**	37,632

Declaration of the interim dividend of HK1.47 cents per ordinary share in respect of the six months ended 30 June 2018 was approved by the board of directors on 31 August 2018. The interim dividend of HK1.47 cents per ordinary share in respect of the six months ended 30 June 2017 was approved by the board of directors on 28 August 2017.

The final dividend of HK1.76 cents per ordinary share in respect of the year ended 31 December 2017 was approved by the Company's shareholders at the annual general meeting held on 29 May 2018. The final dividend of HK2.57 cents per ordinary share in respect of year ended 31 December 2016 was approved by the Company's shareholders at the annual general meeting held on 29 May 2017.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$155,063,000 (six months ended 30 June 2017: HK$150,223,000), and the weighted average number of ordinary shares of 2,550,429,989 (six months ended 30 June 2017: 2,561,356,179) in issue during the period, as adjusted to exclude the shares held by the trustee under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$155,063,000 (six months ended 30 June 2017: HK$150,223,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,550,429,989 (six months ended 30 June 2017: 2,561,356,179) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,369,707 (six months ended 30 June 2017: 1,356,179) assumed to have been issued at no consideration on the deemed exercise of all share options to subscribe for ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment of HK$920,620,000 (six months ended 30 June 2017: HK$192,400,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2017: Nil).

10. INTERESTS IN JOINT VENTURES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Share of net assets	**234,197**	—

On 29 January 2018, the Company and CITIC Pacific Limited ("**CITIC Pacific**") through their respective subsidiaries, agreed to establish Tamar VPower Energy Fund I, L.P. ("**Fund**"). Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Company has committed an aggregate amount of US$80,000,000 (equivalent to HK$624,000,000) to subscribe for interest of the Fund through its own indirect wholly owned subsidiary and the special limited partner of the Fund. As at 30 June 2018, the Company has invested approximately HK$236,659,000 in the Fund.

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Trade and bills receivables	**1,055,220**	791,134
Impairment	**(9,612)**	(10,236)
	1,045,608	780,898

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 period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 30 days	**633,430**	465,079
31 to 60 days	**77,030**	80,008
61 to 90 days	**44,273**	56,005
91 to 180 days	**134,666**	67,029
181 to 360 days	**143,001**	91,074
Over 360 days	**13,208**	21,703
	1,045,608	780,898

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:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 1 month	**68,852**	162,087
1 to 2 months	**10,302**	98,801
2 to 3 months	**8,176**	96,348
Over 3 months	**249,678**	546,839
	337,008	904,075

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

13. SHARE CAPITAL

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,561,858,000 (31 December 2017: 2,561,594,000) ordinary shares of HK$0.1 each	**256,186**	256,159

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

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2017		2,560,000,000	256,000
Share options exercised	*(a)*	1,594,000	159
At 31 December 2017 and 1 January 2018		2,561,594,000	256,159
Share options exercised	*(a)*	264,000	27
At 30 June 2018		2,561,858,000	256,186

(a) Share options with subscription rights to subscribe for 264,000 (31 December 2017: 1,594,000) shares were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 264,000 (31 December 2017: 1,594,000) ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$532,000 (31 December 2017: HK$3,213,000). An amount of HK$313,000 (31 December 2017: HK$1,903,000) was transferred from the share options reserve to the share premium account upon the exercise of the share options.

14. BUSINESS COMBINATION

On 2 February 2018, an indirect wholly owned subsidiary of the Group exercised an option granted under the convertible facility agreement to subscribe for 51% of the ordinary voting shares in the capital of Genrent Del Peru S.A.C. ("**Genrent**") at an exercise consideration of US$4,600,000 (equivalent to HK$35,880,000). The consideration was satisfied by way of set-off against the same amount of the outstanding loan under the relevant convertible facility agreement and the deeds.

The Group has elected to measure the non-controlling interest in Genrent at the non-controlling interest's proportionate share of Genrent's identifiable net assets.

The major assets acquired through this business combination include, amongst others, property, plant and equipment. Accordingly, the Group has initially recognised identifiable net assets of HK$90,479,000 and goodwill of HK$62,541,000 in accordance with HKFRS 3 (Revised) "Business Combinations". The fair values of the identifiable net assets and the carrying amount of goodwill of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2018, distributed power generation (DPG) market, particularly for engine-based power generation, continued to grow with expanding its scope of application coverage, covering power rental, backup power, peak-shaving, fast-track small scale utilities and power reserve market.

Business Review

SI Business

Leveraging on our 20 years of operational experience in SI business, we continued to penetrate into the global SI markets and successfully recorded a satisfactory revenue growth of 8.1% to HK$647.2 million for the six months ended 30 June 2018 (corresponding period in 2017: HK$598.7 million). The growth was mainly attributable to (i) the increasing demand to supplement renewable energy generation in the developed countries; (ii) fast growing data center market; (iii) rapid developing gas-fired DPG stations in China and emerging countries driven by the transition to clean energy; and (iv) recovery of marine market.

With our SI and IBO businesses complementing with each other, we can enhance our economies of scale and bargaining power, deepen our industry knowledge, and thus further reinforce lead against competition.

IBO Business

In the reviewing period, most of the Southeast Asian countries continued to experience strong growth in power demand and huge power deficit. Given the challenge in accessing capital for construction of large scale power plants, our lower capital required, flexible, fast-track DPG solutions continue to play a key role in bridging the demand and supply gap in these countries.

Developed countries were also 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. The intermittent nature of renewable energy has made the immediately available DPG solution an ideal solution to mitigate the erratic power supply.

In the context of global power market transition, maintaining sustainability for the greatest benefits of our stakeholders remained at the top of our agenda. In the first half of 2018, we made sustained progress in building a strategic global network, which laid a foundation for us to seize both short- and long-term opportunities in the emerging markets and developed markets.

Replicating the success in Southeast Asia and leveraging our well-established SI global network, we expanded our IBO business into Latin America. In February 2018, we exercised the option to acquire 51% equity interest in the project company of a heavy fuel oil-fired project in Peru with installed capacity of 79.8MW ("**Iquitos Project**"), to which we offered a 3-year convertible loan of US$30 million in May 2017, at a consideration of US$4.6 million which was satisfied by way of set-off against the same amount of the convertible loan. 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.

In the reviewing period, the first phase of our first biogas project with combined heat and power ("**CHP**") system in Shandong Province, China entered into its trial operation. The installed capacity of the first phase of the project is 8.2MW and the contract term is 15 years. The second phase of 6.2MW is expected to be in operation within 6 months from the commercial operation of the first phase.

In the reviewing period, we also tapped into the flexible reserve market in the United Kingdom by securing a contract in Doncaster, the United Kingdom with planned installed capacity of 20.3MW and contract term of 15 years ("**Doncaster Project**"). The project is expected to commence commercial operation in the first half of 2019.

In May 2018, we won a public tender and were issued a Letter of Acceptance by the Ministry of Electricity and Energy of the Republic of the Union of Myanmar which sets out the mutual understanding on the key terms of the definitive agreement in respect of a gas-fired project. The project's planned installed capacity is 109.7MW with contract term of 5 years ("**Myingyan II Project**"). This new project further consolidates our leadership in the DPG market in Myanmar and is expected to commence commercial operation in February 2019.

The following table shows our DPG projects in operation as at 30 June 2018:

Projects	**Installed capacity** *(MW)*[(1)]	**Contract length** *(months)*[(2)]	**Location**
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
Shandong[(5)]	8.2	180	China
Total	669.4		

Notes:

(1) Installed capacity refers to the maximum power generating capacity of the DPG station based on an aggregate capacity of power generation systems ("**PGS(s)**") installed.

(2) Contract length refers to the term of the contract entered into by the Group in respect of the DPG projects.

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

(4) We hold 51% equity interest of the project company that operates the Iquitos Project.

(5) The Shandong Project is in trial operation.

Our IBO business segment recorded a revenue of HK$442.2 million for the six month ended 30 June 2018 (corresponding period in 2017: HK$337.7 million), representing an increase of approximately 30.9%. The increase was primarily attributable to the Iquitos Project which started revenue contribution (including pass-through fuel) since February 2018.

The following table shows our potential projects, for which we have entered into contracts or memorandum of understanding ("**MOU**") or have won public tender for operation, as at 30 June 2018:

Projects	**Planned installed capacity** *(MW)*	**Location**
Myingyan II	109.7	Myanmar
China Biogas	18.6	China
Amazonas State	70.3	Brazil
Doncaster	20.3	United Kingdom
Bangladesh	218.8	Bangladesh
Pagla II	58.8	Bangladesh
Ghana	56.2	Ghana
Total	552.7	

In addition, as at 30 June 2018, we had projects with over 450MW planned installed capacity under advanced negotiation in Myanmar, Indonesia, China, the United Kingdom and the Middle East.

Tamar VPower Energy Fund I, L.P.

To explore the opportunities in the energy sector in countries along the Belt and Road Initiative, we and CITIC Pacific, one of China's largest conglomerates and our 8% shareholder, established an energy fund with equal initial commitments in January 2018. Since its establishment, the Fund, with an initial fund size of US$160 million, has invested in two companies, namely Byrne Equipment Rental LLC (together with its subsidiaries, the "**Byrne Group**") and Orcan International Energy Technology Co., Ltd. (together with its subsidiaries, the "**Orcan International**").

Being a long-term SI customer of our Group, the Byrne Group is one of the most diverse equipment rental suppliers in the Gulf Cooperation Council ("**GCC**") region. With more than 10,000 items of plant and 15 operational bases, the Byrne Group offers high quality equipment rental solutions and power rental solutions to a broad variety of sectors including oil and gas, construction and infrastructure, events industrial and manufacturing and marine and ports throughout the GCC region. The strong network of the Byrne Group provides a readily available platform for us to efficiently expand our SI and IBO business into the Middle East which is among the world's highest electricity consumption per capita and where the electricity demand has continued to outpace supply growth.

Orcan International offers efficient energy solutions based on organic rankine cycle (ORC) technology for conversion of waste heat into electricity in sectors including gas fired and diesel-fired power plants, oil and gas industrial, hotels, hospitals, marine power, geothermal power, biomass and landfill gas. Orcan International has been granted a licence to use ORC technology, patents and brands of Orcan Energy AG (Germany). We see tremendous synergy in applying Orcan International's ORC technology into our business.

The above investments marked the successful collaboration of CITIC Pacific and the Group in identifying synergistic mergers and acquisitions through the Fund.

Outlook

Looking ahead, the DPG market is expected to remain strong due to the structural power deficit in emerging markets and the escalating demand for power reserve capacity in developed markets. Leveraging on the successful geographical expansion and foundation built in the first half of 2018, we will continue to diversify and enrich our IBO portfolio and strengthen our SI business at the same time in pursuit of sustainability.

For emerging markets, we will focus on consolidating our leadership in existing markets of operations in order to effectively allocate our resources and capture upcoming opportunities. Following our debut in Peru in the first half of 2018, we expect to expand our presence in Latin America, mainly in Brazil.

Developed countries, such as the United Kingdom, will also be a focus for our business development in the foreseeable future. Thanks to the accelerating demand for power reserve to alleviate the risk of renewable power supply instability, we expect the market potential in developed countries to be tremendous. We believe our core competences, including the industry leading efficiency and technical expertise, strong relationship with world-class engine manufacturers and economies of scale, have well-equipped us with the ability to grow our market share there.

Riding on the resources of CITIC Pacific and our well-established leadership in the DPG industry, we will also seek for attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative through the Fund.

In conclusion, we will continue to explore various business opportunities to underpin the Group's sustainability. Amid the growing global market with rising geopolitical uncertainties in various parts of the world, high quality investments and risk control will consistently remain our top priorities during business expansion. Expecting some potential industry consolidations arising from the global energy transition, we will also actively look for regional collaboration with strategic partners and synergistic opportunities in mergers and acquisitions opportunities.

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.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
SI	**647,230**	598,720
IBO	**442,174**	337,674
Total	**1,089,404**	936,394

In the six months ended 30 June 2018, the Group recorded a revenue of approximately HK$1,089.4 million, representing an increase of 16.3% as compared with approximately HK$936.4 million of the corresponding period in 2017. 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 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 period indicated, both in actual amounts and as a percentage of total revenue:

	Six months ended 30 June			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong	**68,978**	6.3	2,480	0.3
Mainland China	**193,706**	17.8	164,264	17.5
Asian countries[(1)]	**383,153**	35.2	352,777	37.7
Other countries	**1,393**	0.1	79,199	8.4
Total	**647,230**	59.4	598,720	63.9

Notes:

(1) Asian countries include Singapore, South Korea, United Arab Emirates, the Philippines, Indonesia and Bangladesh.

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

	Six months ended 30 June			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Indonesia	**89,067**	8.2	89,579	9.6
Bangladesh	**37,147**	3.4	47,283	5.0
Peru	**142,065**	13.0	—	—
Myanmar	**173,895**	16.0	200,812	21.5
Total	**442,174**	40.6	337,674	36.1

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 engage contractors for labour outsourcing.

Cost of sales of the Group was approximately HK$715.5 million for the six months ended 30 June 2018, representing an increase by HK$108.1 million as compared with approximately HK$607.4 million of the corresponding period in 2017. The increase was due to the growth of our SI and IBO businesses.

Gross profit and gross profit margin

	Six months ended 30 June			
	2018		2017	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**147,229**	22.7	132,145	22.1
IBO	**226,662**	51.3	196,846	58.3
Total	**373,891**	34.3	328,991	35.1

Gross profit of the Group was approximately HK$373.9 million for the six months ended 30 June 2018, representing an increase of 13.6% as compared with approximately HK$329.0 million of the corresponding period in 2017. Gross profit margin for the six months ended 30 June 2018 decreased to 34.3% from 35.1% for the six months ended 30 June 2017 which was mainly attributable to addition of the Iquitos Project (in which we incur pass-through fuel cost) to the IBO business.

Profit before tax

Profit before tax for the six months ended 30 June 2018 was approximately HK$162.0 million, representing an increase of 2.3% as compared with approximately HK$158.4 million of the corresponding period in 2017. The increase was mainly due to (i) the increase in gross profit of the Group's business; (ii) increase in other income on the gain on debt extinguishment in relation to payables to EPC contractors and forfeiture of sales deposits; and offset by (i) increase in administrative expenses as a result of addition of the Iquitos Project to the IBO business and increase of headcounts; and (ii) increase in finance costs as a result of increase in interest-bearing bank and other borrowings and senior notes.

Other income and gains

In the six months ended 30 June 2018, other income and gains of the Group amounted to approximately HK$33.3 million, representing an increase of 117.6% as compared with approximately HK$15.3 million of the corresponding period in 2017. The increase was mainly attributable to the gain on debt extinguishment in relation to payables to EPC contractors and forfeiture of sales deposits in the six months ended 30 June 2018.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of costs for transportation and traveling expenses, commission expense, insurance expense, staff costs and others. The selling and distribution expenses of the Group increased by 23.5% from approximately HK$9.8 million for the six months ended 30 June 2017 to HK$12.1 million for the six months ended 30 June 2018. The increase was mainly due to the increase in commission expense.

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 the six months ended 30 June 2018, administrative expenses of the Group were approximately HK$109.8 million, representing an increase of 44.5% as compared with the corresponding period in 2017 of approximately HK$76.0 million. The increase was mainly due to addition of the Iquitos Project to the IBO business and increase in headcounts.

Other expenses, net

Other expenses, net of the Group primarily consist of unrealised foreign exchange loss on realignment of accounts payable and bank borrowings which were denominated in Euro for purchases of equipment and engines. In the six months ended 30 June 2018, other expenses, net were approximately HK$41.1 million, which represented an decrease of 32.8% over the corresponding period in 2017 of approximately HK$61.2 million. The decrease was mainly attributable to the decrease in foreign exchange loss.

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 the six months ended 30 June 2018, finance costs were approximately HK$79.8 million, which represented an increase of 104.6% over the corresponding period in 2017 of approximately HK$39.0 million. The increase was primarily due to the interest paid under the senior notes issued by Genrent to finance, among other things, the Iquitos Project and the increase in the loan interest for interest-bearing bank and other borrowings which was partially offset by the decrease in notional interest for the EPC payables.

Income tax expense

Income tax expense of the Group primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong. In the six months ended 30 June 2018, income tax expense was approximately HK$11.1 million, representing an increase of 35.4% as compared with the corresponding period in 2017 of approximately HK$8.2 million, and our effective tax rate was 6.9% and 5.1% for the six months ended 30 June 2018 and 2017, respectively. Both increases were primarily due to a slight increase in withholding tax in overseas IBO business in the six months ended 30 June 2018.

Profit Attributable to Owners and Earnings per Share

In six months ended 30 June 2018, profit attributable to owners of the Company was approximately HK$155.1 million, representing an increase of approximately HK$4.9 million or approximately 3.3% as compared with approximately HK$150.2 million of the corresponding period in 2017.

Basic earnings per share for the six months ended 30 June 2018 were HK6.08 cents as compared with HK5.87 cents of the corresponding period in 2017.

Liquidity, Financial and Capital Resources

As at 30 June 2018, total current assets of the Group amounted to approximately HK$3,285.2 million (31 December 2017: HK$3,123.6 million). In terms of financial resources as at 30 June 2018, cash and cash equivalents of the Group were approximately HK$975.6 million (31 December 2017: HK$1,033.5 million).

As at 30 June 2018, total bank and other borrowings and senior notes of the Group amounted to approximately HK$3,824.0 million, representing an increase of approximately 175.3% as compared to HK$1,389.0 million as of 31 December 2017. The Group's bank and other borrowings included short term loans with 1-year maturity and term loans with maturity within 3 years. As at 30 June 2018, the Group's bank and other borrowings denominated in U.S. dollars, HK dollars and Euro were approximately HK$3,096.7 million (31 December 2017: HK$984.9 million), HK$517.3 million (31 December 2017: HK$225.7 million) and approximately HK$205.1 million (31 December 2017: HK$178.1 million), respectively.

The Group financed its business with internally generated cash flows from operations and bank borrowings. The decrease in cash and cash equivalents was mainly due to the utilisation of funds for daily operations and capital expenditure of property, plant and equipment as well as investment in joint ventures.

The Group's net gearing ratio, which is calculated as a ratio of total interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits to shareholders' equity was approximately 107.7% (31 December 2017: 7.7%). As at 30 June 2018, the Group's current ratio was 1.4 (31 December 2017: 1.4).

Charge of Assets

As at 30 June 2018, the Group had charged certain property, plant and equipment with a net book value of approximately HK$571.0 million (31 December 2017: HK$594.9 million) to certain banks and a finance leasing company to secure bank and other borrowings; and the equity interest in a 51% owned subsidiary with the total asset value of approximately HK$1,065.9 million as security for the senior notes issuance of such subsidiary.

Exposure on Foreign Exchange Fluctuations

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

The Group is exposed to foreign exchange risk through sales and purchase that are dominated in currencies other than the functional currency of the respective operations. The currencies involved are primarily Euro, IDR and RMB. The Group's majority of purchases are either in Euro or U.S. dollar. During the period, the Group entered into currency forward contracts to hedge 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 and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 (31 December 2017: HK$58.9 million).

Capital Expenditures

For the six months ended 30 June 2018, the Group invested approximately HK$920.6 million (31 December 2017: HK$403.3 million) which included addition of HK$898.3 million in property, plant and equipment arising from acquisition of a subsidiary.

MATERIAL ACQUISITION AND DISPOSAL

(i) In January 2018, the Company and CITIC Pacific through their respective subsidiaries, agreed to establish the Fund. Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Company has committed an aggregate amount of US$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.

(ii) In February 2018, the Group exercised the option to subscribe for 51% of the ordinary voting shares in the capital of Genrent at the exercise consideration of US$4.6 million (equivalent to HK$35.8 million) which was satisfied by way of set-off against the same amount of the outstanding convertible loan advanced by the Group to Genrent. Following the option exercise, Genrent has become a 51% owned subsidiary of the Company.

Apart from the above, the Group did not have other material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

EMPLOYEES

As at 30 June 2018, the Group had 362 employees (31 December 2017: 293). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong 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. For the six months ended 30 June 2018, 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.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK1.47 cents per share for the six months ended 30 June 2018 payable on Thursday, 4 October 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 19 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend, the register of members of the Company will be closed during the period from Monday, 17 September 2018 to Wednesday, 19 September 2018 (both days inclusive), during which period no transfer of share(s) of the Company will be effected. In order to qualify for the interim 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, 14 September 2018.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2018, the Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry, the Company confirms that the directors of the Company complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, 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, pursuant to the terms of the rules and trust deed of the share award scheme, purchased on the Stock Exchange a total of 1,173,000 ordinary shares of the Company at a total consideration of HK$3,952,000.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with the management of the Company, the accounting principles and practices adopted by the Group; discussed internal controls and risk management; and financial reporting matters in August 2018 including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 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 period.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2018 Interim Report will be despatched to shareholders of the Company and posted at the aforesaid websites in September 2018.

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

Hong Kong, 31 August 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.