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 2018

KEY HIGHLIGHTS

- Revenue rose 38.6% to HK$2,420.7 million. Among which, revenue from SI business was HK$1,579.0 million and revenue from IBO business was HK$841.7 million, representing an increase of 33.5% and 49.4% respectively.
- Gross profit increased 22.5% to HK$706.7 million.
- EBITDA increased 3.2% to HK$621.6 million.
- Profit attributable to the owners of the Company decreased 35.7% to HK$213.3 million, which was mainly due to an exceptionally substantial amount of fair value gain on derivative financial instrument recorded in 2017 and an increase in finance costs.
- The Board proposed a final dividend of HK0.48 cent per share. Subject to shareholders' approval of the final dividend, this will result in a full year dividend of HK1.95 cents per share, which represents around 25% of the Group's profit for the year ended 31 December 2018.

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 2018, together with comparative figures of the last financial year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**2,420,749**	1,746,016
Cost of sales		**(1,714,007)**	(1,169,189)
Gross profit		**706,742**	576,827
Other income and gains	5	**40,164**	190,246
Selling and distribution expenses		**(25,794)**	(29,091)
Administrative expenses		**(272,561)**	(205,031)
Other expenses, net		**(32,489)**	(98,620)
Finance costs		**(191,359)**	(76,999)
Share of profits and losses of joint ventures		**6,298**	—
PROFIT BEFORE TAX	6	**231,001**	357,332
Income tax expense	7	**(30,096)**	(26,014)
PROFIT FOR THE YEAR		**200,905**	331,318
Attributable to:			
Owners of the Company		**213,288**	331,924
Non-controlling interests		**(12,383)**	(606)
		200,905	331,318
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**HK8.36 cents**	HK12.99 cents
Diluted		**HK8.36 cents**	HK12.98 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
PROFIT FOR THE YEAR	**200,905**	331,318
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(12,604)**	16,913
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**1,063**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(11,541)**	16,913
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**189,364**	348,231
Attributable to:		
Owners of the Company	**187,194**	348,825
Non-controlling interests	**2,170**	(594)
	189,364	348,231

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,811,786**	2,189,082
Investment property		**25,000**	—
Goodwill		**81,489**	—
Other intangible assets		**86,296**	—
Interests in joint ventures	*10*	**762,918**	—
Deposits and other receivables		**164,292**	608,597
Deferred tax assets		**15,465**	5,329
Total non-current assets		**2,947,246**	2,803,008
CURRENT ASSETS			
Inventories		**1,249,430**	712,451
Trade and bills receivables	*11*	**1,071,077**	780,898
Prepayments, deposits, other receivables and other assets		**445,939**	314,838
Due from related companies		**579**	96
Derivative financial instrument		**—**	90,386
Tax recoverable		**52,022**	25,669
Restricted cash		**81,209**	—
Pledged deposits		**48,443**	165,759
Cash and cash equivalents		**541,353**	1,033,502
		3,490,052	3,123,599
Assets held for sale	*15*	**956,929**	—
Total current assets		**4,446,981**	3,123,599
CURRENT LIABILITIES			
Trade and bills payables	*12*	**394,801**	904,075
Other payables and accruals		**492,884**	832,025
Senior notes		**6,268**	—
Interest-bearing bank and other borrowings		**2,384,499**	532,392
Tax payable		**6,024**	17,808
Provision for restoration		**3,249**	3,672
Total current liabilities		**3,287,725**	2,289,972
NET CURRENT ASSETS		**1,159,256**	833,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,106,502**	3,636,635

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**73,491**	311,046
Senior notes		**779,622**	—
Interest-bearing bank and other borrowings		**585,434**	856,651
Provision for restoration		**31,480**	2,330
Deferred tax liabilities		**20,121**	5,886
Total non-current liabilities		**1,490,148**	1,175,913
Net assets		**2,616,354**	2,460,722
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**256,207**	256,159
Reserves		**2,313,993**	2,205,157
		2,570,200	2,461,316
Non-controlling interests		**46,154**	(594)
Total equity		**2,616,354**	2,460,722

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

During the year, the Group was principally engaged in the design, integration, sale and installation of engine-based electricity generation units and the provision of distributed power solutions, including the design, investment in, building, 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.

2. BASIS OF PREPARATION

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Except for the amendments to HKFRS 4, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* 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 has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	**Amount**	**ECL**	**Amount**	**Category**
		HK$'000	*HK$'000*	*HK$'000*	
Financial assets					
Trade and bills receivables	L&R[1]	780,898	4,949	785,847	AC[2]
Financial assets included in prepayments, deposits and other receivables	L&R	422,486	—	422,486	AC
Due from a related company	L&R	96	—	96	AC
Derivative financial instrument	FVPL[3]	90,386	—	90,386	FVPL
Pledged deposits	L&R	165,759	—	165,759	AC
Cash and cash equivalents	L&R	1,033,502	—	1,033,502	AC
		2,493,127	4,949	2,498,076	
Financial liabilities					
Trade and bills payables	AC	904,075	—	904,075	AC
Financial liabilities included in other payables and accruals	AC	1,070,787	—	1,070,787	AC
Interest-bearing bank and other borrowings	AC	1,389,043	—	1,389,043	AC
		3,363,905	—	3,363,905	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

3 FVPL: Financial assets at fair value through profit or loss

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in the notes to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	10,236	(4,949)	5,287

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits *HK$'000*
Balance as at 31 December 2017 under HKAS 39	571,025
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	4,949
Balance as at 1 January 2018 under HKFRS 9	575,974

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in the notes to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in the notes to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The application of HKFRS 15 has had no impact on the financial performance of the Group. Hence, no cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

(f) Amendments under *Annual Improvements to HKFRSs 2014–2016 Cycle*

HKAS 28 *Investments in Associates and Joint Ventures:* Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. The amendments did not have any impact on the Group's financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

4. OPERATING SEGMENT INFORMATION

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

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

(b) the investment, building and operating ("**IBO**") segment designs, invests in, builds, 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, derivative financial instrument, tax recoverable, restricted cash, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

Year ended 31 December 2018

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**1,579,038**	**841,711**	**2,420,749**
Intersegment sales	**24,785**	**—**	**24,785**
	1,603,823	**841,711**	**2,445,534**
Reconciliation:			
Elimination of intersegment sales			**(24,785)**
Revenue			**2,420,749**
Segment results	**225,056**	**137,203**	**362,259**
Reconciliation:			
Elimination of intersegment results			**1,408**
Bank interest income			**2,828**
Corporate and unallocated income, net			**55,865**
Finance costs			**(191,359)**
Profit before tax			**231,001**
Segment assets	**1,920,177**	**3,912,193**	**5,832,370**
Reconciliation:			
Corporate and unallocated assets			**1,561,857**
Total assets			**7,394,227**
Segment liabilities	**655,134**	**331,611**	**986,745**
Reconciliation:			
Corporate and unallocated liabilities			**3,791,128**
Total liabilities			**4,777,873**
Other segment information:			
Loss on disposal of items of property, plant and equipment, net	**313**	**48**	**361**
Depreciation*	**5,606**	**189,273**	**194,879**
Amortisation of intangible assets	**—**	**2,700**	**2,700**
Capital expenditure#	**13,757**	**998,306**	**1,012,063**

* Depreciation excludes depreciation charges of HK$1,637,000 for corporate assets.

Capital expenditure includes additions to property, plant and equipment of HK$898,344,000 arising from acquisition of a subsidiary.

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

* Depreciation excludes depreciation charges of HK$409,000 for corporate assets.

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

Geographical information

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**67,797**	101,862
Mainland China	**407,168**	350,287
Asian countries	**1,456,701**	1,207,403
Latin America	**486,526**	81,685
Other countries	**2,557**	4,779
	2,420,749	1,746,016

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

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**944,014**	484,755
Mainland China	**49,901**	14,861
Asian countries	**823,340**	2,098,891
Latin America	**1,021,570**	1,860
Other countries	**90,748**	55,034
	2,929,573	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.

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**560,324**	434,368
Customer B	**333,374**	N/A*
Customer C	**269,323**	N/A*
Customer D	**256,764**	305,356
	1,419,785	739,724

* Nil or less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAINS

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,579,038**	1,182,863
Provision of distributed power solutions	**841,711**	563,153
	2,420,749	1,746,016
Other income		
Bank interest income	**2,828**	8,307
Loan interest income	**3,914**	16,601
Income from contract assignment/novation	**—**	6,592
Government grants*	**271**	235
Sales deposits forfeited	**11,050**	—
Others	**8,254**	4,237
	26,317	35,972
Gains		
Fair value gain on derivative financial instrument	**—**	90,386
Fair value gain on an investment property	**1,000**	4,400
Gain on debt extinguishment	**12,847**	49,605
Net gain on settlement of derivative financial instruments	**—**	9,882
Gain on disposal of items of property, plant and equipment, net	**—**	1
	13,847	154,274
	40,164	190,246

* 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 year.

6. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation*	**196,516**	168,294
Amortisation of intangible assets	**2,700**	—
Net loss/(gain) on settlement of derivative financial instruments	**4,504**	(9,882)
Foreign exchange differences, net	**28,827**	88,054
Write-down/(reversal of write-down) of inventories to net realisable value	**(9,025)***	2,481#
Loss/(gain) on disposal of items of property, plant and equipment, net	**361#**	(1)
Equity-settled share option expense	**2,086**	4,502

* Included in the cost of sales for the year were depreciation charges of HK$175,533,000 (2017: HK$151,894,000) and reversal of write-down of inventories to net realisable value of HK$9,025,000 (2017: Nil).

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**6,686**	1,763
Overprovision in prior years	**(126)**	(20)
Current — Elsewhere		
Charge for the year	**24,415**	22,437
Overprovision in prior years	**(1,127)**	(930)
Deferred	**248**	2,764
Total tax charge for the year	**30,096**	26,014

8. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final 2017 — HK1.76 cents (2016: HK2.57 cents) per ordinary share	**45,089**	65,792
Less: Dividend for shares held under share award scheme	**(202)**	—
	44,887	65,792
Interim 2018 — HK1.47 cents (2017: HK1.47 cents) per ordinary share	**37,659**	37,632
Less: Dividend for shares held under share award scheme	**(184)**	(121)
	37,475	37,511
	82,362	103,303
Final dividend proposed after the end of the reporting period:		
Proposed final 2018 — HK0.48 cent (2017: HK1.76 cents) per ordinary share	**12,298**	45,084

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$213,288,000 (2017: HK$331,924,000), and the weighted average number of ordinary shares of 2,549,976,678 (2017: 2,555,633,054) in issue during the year, as adjusted to exclude the shares held under the share award scheme during the year.

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$213,288,000 (2017: HK$331,924,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,549,976,678 (2017: 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 1,451,538 (2017: 2,062,356) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

10. INTERESTS IN JOINT VENTURES

	2018	2017
	HK$'000	*HK$'000*
Share of net assets	**762,918**	—

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. (the "**Fund**"). Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly-owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Company has committed an aggregate amount of US$105,000,000 (equivalent to HK$819,000,000) to subscribe for interest in the Fund through its own indirect wholly-owned subsidiary and the special limited partner of the Fund. As at 31 December 2018, the Group invested approximately HK$756,600,000 in the Fund.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**1,073,636**	791,134
Impairment	**(2,559)**	(10,236)
	1,071,077	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 ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**568,030**	465,079
31 to 60 days	**96,709**	80,008
61 to 90 days	**65,707**	56,005
91 to 180 days	**140,350**	67,029
181 to 360 days	**124,817**	91,074
Over 360 days	**75,464**	21,703
	1,071,077	780,898

12. TRADE AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**148,424**	162,087
1 to 2 months	**92,171**	98,801
2 to 3 months	**4,473**	96,348
Over 3 months	**149,733**	546,839
	394,801	904,075

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

13. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,562,074,000 (2017: 2,561,594,000) ordinary shares of HK$0.1 each	**256,207**	256,159

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

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*
At 1 January 2017		2,560,000,000	256,000
Share options exercised		1,594,000	159
At 31 December 2017 and at 1 January 2018		2,561,594,000	256,159
Share options exercised	*(a)*	480,000	48
At 31 December 2018		2,562,074,000	256,207

(a) The subscription rights attaching to 480,000 share options were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 480,000 ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$968,000. An amount of HK$586,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

14. BUSINESS COMBINATION

In February 2018, the Group (i) exercised the option under a convertible loan to subscribe for a 51% equity interest in Genrent del Peru S.A.C. ("**Genrent Peru**") for an exercise consideration of US$4,600,000 (equivalent to approximately HK$35,880,000); and (ii) acquired a 51% equity interest in VPTM Iquitos S.A.C. ("**VPTM Iquitos**") for a consideration of Peruvian Soles 510 (equivalent to approximately HK$1,000). Genrent Peru is principally engaged in the provision of distributed power solutions and VPTM Iquitos is principally engaged in the provision of operation and maintenance services. The acquisition was made as part of the Group's strategy to expand its market share of distributed power solutions in Latin America.

The aggregate fair value of the identifiable net assets of Genrent Peru and VPTM Iquitos as at the date of acquisition was HK$89,356,000, resulting in goodwill arising therefrom of HK$81,489,000.

15. ASSETS HELD FOR SALE

During the year, the Company initiated a plan to dispose of the assets relating to its distributed power generation business in Indonesia. Negotiations for the sale in an advanced stage were in progress and the sale was considered highly probable and is expected to be completed within one year from the date of reclassification. Accordingly, the related power generation assets were classified as assets held for sale as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Market Review

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

The power system integration market remained strong in 2018. A significant growth in market demand was seen mainly due to the growing power reserve market to supplement renewable energy generation, rapid development of data centres and e-commerce logistics centers, and continuing strengthening of marine market.

Most of the Southeast Asian countries continued to experience solid power demand growth and power deficit. Myanmar, for example, expected the domestic demand for electricity to increase to 5,774MW by 2022, representing a growth of 80% as compared to 2018 level. To support the increasing need, the government announced in early 2018 its commitment to provide an additional 3,600MW electricity within the next four years. Our lower capital required, flexible, fast-track DPG solutions continued to play a key role in bridging the demand and supply gap in these countries given the overall more volatile macro environment globally.

Developed countries also experienced an increasing demand for DPG solutions primarily driven by the rise of renewable and clean energy generation. The intermittent nature of renewable energy made the immediately available DPG solution an ideal solution to balance and stabilize the grid system.

Business Review

We principally engage 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, lease and operate distributed power stations to deliver reliable electricity to the off-takers.

SI Business

Leveraging on our 20 years of operational experience in SI business, we continued to penetrate into the global SI markets and recorded a remarkable revenue growth of 33.5% to HK$1,579.0 million for the year ended 31 December 2018 (2017: HK$1,182.9 million). The growth was mainly attributable to the successful capturing of growing market demand from the power reserve market to supplement renewable energy, data centres, e-commerce logistic centres and marine market, and the early delivery of certain 2019 orders.

IBO Business

In 2018, on top of penetrating existing IBO markets, we continued to deploy substantial resources in market development with a view to extending our business presence into potential markets and building a strategic global business network.

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 September 2018, the first phase of our first biogas project with combined heat and power ("**CHP**") system in Shandong Province, China ("**Shandong Project**") commenced commercial 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 commercial operation in the second half of 2019.

Myanmar has been one of our focuses of operating countries along the Belt and Road Initiative. Since our entry in 2015, we have been the leader in the local DPG market and have built a track record of operational excellence. We won a public tender for a DPG project in March 2018 and entered into the relevant power purchase agreement in November 2018. The power station for the project with installed capacity of 109.7MW and a contract term of 5 years ("**Myingyan II Project**") was under construction as at 31 December 2018 and commenced commercial operation in February 2019. In addition, we secured a DPG project in Yangon, Myanmar in the second half of 2018. This project with installed capacity of 4.7MW and a contract term of 4 years ("**Yangon Project**") commenced commercial operation in March 2019.

In the first half of 2018, 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 ("**Doncaster Project**"). The project is expected to commence commercial operation in the third quarter of 2019. We plan to add more projects with an aggregate planned installed capacity of 60.9MW which are expected to commence commercial operation in the fourth quarter of 2019.

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)]*	Location
Teluk Lembu I	20.3	12	Indonesia
Teluk Lembu II	65.8	60	Indonesia
Jambi	56.4	60	Indonesia
Medan[(3)]	54.0	12	Indonesia
Rengat	20.3	36	Indonesia
Subtotal	216.8		
Kyauk Phyu I	49.9	60	Myanmar
Kyauk Phyu II	49.9	60	Myanmar
Myingyan I	149.8	60	Myanmar
Myingyan II[(4)]	109.7	60	Myanmar
Yangon[(5)]	4.7	48	Myanmar
Subtotal	364.0		
Iquitos[(6)]	79.8	240	Peru
Shandong	8.2	180	China
Total	668.8		

As of the date of announcement, we are in progress to renew the contract of the following project:

Project	Installed capacity *(MW)[(1)]*	Location
Pagla	58.8	Bangladesh

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 Aceh, Tanjung Belit, Tembilahan and Kota Tengah DPG stations.

(4) Myingyan II Project commenced commercial operation in February 2019 as scheduled.

(5) Yangon Project commenced commercial operation in March 2019 as scheduled.

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

Our IBO business segment recorded a revenue of HK$841.7 million for the year ended 31 December 2018 (2017: HK$563.2 million), representing a year-on-year increase of approximately 49.4%. The increase in IBO revenue was primarily contributed by the Iquitos Project (in which our revenue includes pass-through fuel cost).

The following table shows our potential projects, for which we have won public tenders or entered into contracts or letter of intent for operation or acquisition, as of the date of this announcement:

Projects	**Planned installed capacity** *(MW)*	**Location**
Sri Lanka	54.9	Sri Lanka
China Biogas	18.6	China
Amazonas State	70.3	Brazil
Doncaster	20.3	United Kingdom
UK	60.9	United Kingdom
Bangladesh	300.0	Bangladesh
Ghana	56.2	Ghana
Total	581.2	

In addition, as of the date of this announcement, we have projects with over 420MW planned installed capacity under advanced stage of negotiation in Myanmar, Indonesia, China, Sri Lanka, 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 has invested in three companies, namely Orcan International Energy Technology Co., Ltd. (together with its subsidiaries, "**Orcan International**"), Byrne Equipment Rental LLC (together with its subsidiaries, the "**Byrne Group**") and 科源動力科技有限公司 Keyuan Power Technology Co. Ltd* (formerly known as 中高柴油機重工有限公司 Zgpt Diesel Heavy Industry Co., Ltd*) ("**Keyuan Power**").

* *For identification purpose only*

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 license to use ORC technology, patents and brands of Orcan Energy AG (Germany). There are a lot of synergies between our Group and Orcan International as we can apply this ORC technology in our DPG projects to increase the overall energy efficiency of the project. For example, we installed the modular ORC systems of Orcan International in the power station of Myingyan II Project which successfully enhances the project's energy efficiency.

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.

Keyuan Power, headquartered in the strategic Hangzhou Economic and Technological Development Zone which is in close proximity to the central business district of Hangzhou Dongbuwan and Hangzhou Xiaoshan International Airport, engages in the manufacturing and fabrication of power equipment, solutions and peripherals. With an entitled land area of 59,385 m^2 and a gross floor area of 52,526 m^2, Keyuan Power has comprehensive facilities, including research and development center, assembly equipment, test equipment, physicochemical analysis equipment and automatic stereoscopic warehouse. It is expected that the facilities will further strengthen our system manufacturing and integration capability.

We believe these investments are synergistic to us and CITIC Pacific and will contribute significant return to the Fund in the near future. The businesses of the above investee companies are related to our core businesses which could support our business development, in particular, they will enhance our power solution's energy efficiency, strengthen our research and development, capability, broaden and upgrade our product range, and strength our self-manufacturing capacity.

OUTLOOK

Looking ahead, we remain positive on the development of DPG market around the world. DPG market is gaining momentum as the structural power deficit in emerging markets continues and we are seeing an upward demand for power reserve capacity to stabilize and balance the local power grid in developed markets. Riding on the successful geographical expansion and foundation built in 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 prioritize the existing markets of operations in order to effectively allocate our resources and capture upcoming opportunities. We have a good start in 2019 by having commenced commercial operation of Myingyan II Project and Yangon Project with a total installed capacity of 114.4MW in Myanmar. Following our debut in Peru in February 2018, we expect to expand our presence in Latin America, mainly in Brazil, in the second half of 2019.

Thanks to the accelerating demand for power reserve to alleviate the risk of renewable power supply instability, the market potential in developed countries is expected to be tremendous. For example, the United Kingdom is expected to decommission all coal-fired power stations by 2025. The rise of renewables is substantially changing the power generation mix in the United Kingdom, posing a threat to large scale baseload generators that may become unprofitable at lower load factors. Meanwhile, the intermittent nature of renewables makes it unable to provide firm power, and still requires backup power generation. As such, markets increasingly look set to reward small-scale, flexible DPG stations and storage technologies such as batteries that are capable of ramping up and down quickly to help balance and stabilize the grid system. We expect to have our first 20.3MW Doncaster Project in the United Kingdom in operation in the third quarter of 2019 and we are targeting to have an additional 60.9MW in operation in the fourth quarter of 2019. With our industry leading efficiency and technical expertise, strong relationship with world-class engine manufacturers and economies of scale, we are poised to capture market opportunities there.

We are seeing good acquisition opportunities emerging from some consolidations in the industry and the changing energy mix. Leveraging on the resources of CITIC Pacific and our well-established leadership in the DPG industry, we will continue to seek for attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative through the Fund or other forms of cooperation.

In conclusion, 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. To seize the foreseen market potential for DPG solutions, we will continue to explore various business opportunities. Nevertheless, in order to underpin the Group's sustainability amid rising geopolitical uncertainties in various parts of the world, we will take a proactive yet fairly cautious approach to build our global diversified and risk-controlled IBO portfolios. 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.

In 2018, the Group recorded a revenue of approximately HK$2,420.7 million, representing an increase of 38.6% as compared with approximately HK$1,746.0 million of the previous year. The increase in revenue was mainly due to the growth of both business segments. Please refer to the paragraph headed "Business Review" for the significant increase in revenue.

Revenue by geographical locations

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

	Year ended 31 December			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong	**67,797**	**2.8**	101,862	5.8
Mainland China	**393,936**	**16.3**	350,287	20.1
Other Asian countries/territories[1]	**961,595**	**39.7**	644,250	36.9
Other countries/territories	**155,710**	**6.4**	86,464	4.9
Total	**1,579,038**	**65.2**	1,182,863	67.7

Notes:

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

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

	Year ended 31 December			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Peru	**333,374**	**13.8**	—	—
Indonesia	**172,622**	**7.1**	183,145	10.5
Bangladesh	**65,720**	**2.7**	74,652	4.3
Myanmar	**256,763**	**10.6**	305,356	17.5
Mainland China	**13,232**	**0.6**	—	—
Total	**841,711**	**34.8**	563,153	32.3

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.

For the years ended 31 December 2018 and 2017, our cost of sales was HK$1,714.0 million and HK$1,169.2 million, respectively, due to the growth of both SI and IBO businesses.

Gross profit and gross profit margin

	Year ended 31 December			
	2018		2017	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**334,656**	**21.2**	253,821	21.4
IBO	**372,086**	**44.2**	323,006	57.4
Total	**706,742**	**29.2**	576,827	33.0

Gross profit of the Group was approximately HK$706.7 million, representing an increase of 22.5% as compared with approximately HK$576.8 million of the previous year. Gross profit margin for this year decreased to 29.2% from 33.0% for 2017 which was mainly attributable to the addition of the lquitos Project (in which we incur pass-through fuel cost) to the IBO business.

Profit before tax

Profit before tax for the year ended 31 December 2018 was approximately HK$231.0 million, representing a decrease of 35.3% as compared with HK$357.3 million of the previous year. The decrease was mainly due to (i) an exceptionally substantial amount of fair value gain on derivative financial instrument recorded in 2017; (ii) increase in finance cost as a result of increase in interest-bearing bank and other borrowings and senior notes; and (iii) increase in administrative expenses as a result of addition of the Iquitos Project to IBO business and increase of headcounts.

Other income and gains

In 2018, other income and gains of the Group amounted to approximately HK$40.2 million, representing a decrease of 78.9% as compared with approximately HK$190.2 million of the previous year. The decrease was mainly attributable to no substantial fair value gain on derivative financial instrument as that recorded in 2017 and less gain on debt extinguishment in relation to payables to EPC contractors during the year.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of costs for transportation and traveling expenses, commission expense, insurance expense, staff costs and others. In 2018, selling and distribution expenses of the Group decreased by 11.3% from approximately HK$29.1 million in 2017 to HK$25.8 million. It was mainly attributable to the decrease in transportation cost.

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 2018, administrative expenses of the Group were approximately HK$272.6 million, an increase of 33.0% over the previous year of approximately HK$205.0 million. The increase was mainly due to addition of the Iquitos Project to the IBO business and increase in headcounts and professional fees.

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, impairment of trade receivables and write-down of inventories to net realisable value.

In 2018, other expenses, net were approximately HK$32.5 million, which represented a decrease of 67.0% as compared with the previous year of approximately HK$98.6 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 2018, finance costs was approximately HK$191.4 million, which represented an increase of 148.6% over the previous year of approximately HK$77.0 million. The increase was primarily due to the interest paid under the senior notes issued by Genrent Peru to finance, among other things, the lquitos Project and increase in the loan interest for interest-bearing bank and other borrowings.

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 2018, income tax expense was approximately HK$30.1 million, representing an increase of 15.8% over the previous year of approximately HK$26.0 million, and our effective tax rate was 13.0% and 7.3% for 2018 and 2017, respectively. The increase in effective tax rate was primarily due to the addition of the Iquitos Project to the IBO business in 2018, which was subject to a higher tax rate.

Profit Attributable to Owners and Earnings per Share

In 2018, profit attributable to owners of the Company was approximately HK$213.3 million, representing a decrease of approximately HK$118.6 million or approximately 35.7% as compared with approximately HK$331.9 million of the previous year.

Basic earnings per share for the year ended 31 December 2018 were HK8.36 cents as compared with HK12.99 cents of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2018, total current assets to the Group amounted to HK$4,447.0 million (2017: HK$3,123.6 million). In terms of financial resources as at 31 December 2018, cash and cash equivalents of the Group were HK$541.4 million (2017: HK$1,033.5 million).

As at 31 December 2018, total bank and other borrowings and senior notes of the Group amounted to approximately HK$3,755.8 million (2017: HK$1,389.0 million), representing an increase of approximately 170.4% as compared to that of 31 December 2017. 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 2018, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars and Euro were approximately HK$3,284.0 million (2017: HK$984.9 million), HK$409.2 million (2017: HK$225.7 million) and approximately HK$62.6 million (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.

As at 31 December 2018, the Group's current ratio was 1.4 (2017: 1.4). The Group's debt ratio, which is calculated as a percentage of total liabilities to total assets, was 64.6% (2017: 58.5%). The debt ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 58.9% (2017: 58.5%). The Group's net gearing ratio, which is calculated as a percentage of total interest-bearing bank and other borrowings and senior notes less cash and cash equivalents, pledged deposits and restricted cash to shareholders' equity was approximately 117.9% (2017: 7.7%). The net gearing ratio, adjusted by excluding the senior notes issued by a non-wholly owned subsidiary which are non-recourse to the Company and any other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 91.0% (2017: 7.7%).

Charge of Assets

As at 31 December 2018, the Group had charged certain property, plant and equipment with a net book value of approximately HK$565.8 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$862.0 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

Contingent liabilities as at 31 December 2018 will be disclosed in the notes to the financial statements in the annual report.

Capital Expenditures

For the year ended 31 December 2018, the Group invested HK$1,012.1 million (2017: HK$403.3 million) in property, plant and equipment of which HK$998.3 million (2017: HK$340.2 million) mainly for IBO projects relate to prospective DPG projects located in Mainland China and Myanmar and 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$105 million (equivalent to HK$819 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 Peru 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 Peru. Following the option exercise, Genrent Peru 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 year ended 31 December 2018.

EMPLOYEES

As at 31 December 2018, the Group had 371 employees (2017: 293). 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. During the year of 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.

FINAL DIVIDEND

The Board of the Company recommends the payment of a final dividend of HK0.48 cent per share for the year ended 31 December 2018 (2017: HK1.76 cents) to shareholders whose names appear on the register of members of the Company on Monday, 3 June 2019 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 3 June 2019 (the "**2019 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the 2019 AGM, the register of members of the Company will be closed during the period from Wednesday, 29 May 2019 to Monday, 3 June 2019, 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 2019 AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 May 2019.

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, 10 June 2019 to Wednesday, 12 June 2019, 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 Thursday, 6 June 2019.

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 2018, 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**").

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 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 2018.

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

During 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 (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 1,173,000 ordinary shares of the Company at a total consideration of HK$3,951,000.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the senior management and the external auditors of the Company their respective audit findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the review of the annual results of the Company for the year ended 31 December 2018.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

APPRECIATION

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

PUBLICATION OF 2018 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 2018 Annual Report will be despatched to shareholders of the Company and posted at the aforesaid websites in April 2019.

ANNUAL GENERAL MEETING

The 2019 AGM of the Company is scheduled to be held on Monday, 3 June 2019. Notice of the 2019 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, 28 March 2019

As at the date hereof, the board of directors of the Company 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.