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 2019

KEY HIGHLIGHTS

- Revenue rose 10.5% to HK$1,203.4 million. Among which, revenue from SI business was HK$688.8 million and revenue from IBO business was HK$514.6 million, representing an increase of 6.4% and 16.4% respectively.
- Gross profit increased 6.2% to HK$397.0 million with a gross profit margin of 33.0%.
- EBITDA increased 2.9% to HK$357.3 million.
- Profit attributable to the owners of the Company was HK$142.7 million, representing a decrease of 8.0% which was mainly due to an increase in finance costs and a decrease in other income and gains.
- The Board declared an interim dividend of HK0.55 cent 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 2019, together with comparative figures of the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,203,442**	1,089,404
Cost of sales		**(806,401)**	(715,513)
Gross profit		**397,041**	373,891
Other income and gains	*4*	**8,411**	33,346
Selling and distribution expenses		**(10,725)**	(12,053)
Administrative expenses		**(117,590)**	(109,833)
Other expenses, net		**—**	(41,111)
Finance costs		**(117,711)**	(79,786)
Share of profits or losses from joint ventures		**(2,618)**	(2,462)
PROFIT BEFORE TAX	*5*	**156,808**	161,992
Income tax	*6*	**(14,125)**	(11,125)
PROFIT FOR THE PERIOD		**142,683**	150,867
Attributable to:			
Owners of the Company		**142,688**	155,063
Non-controlling interests		**(5)**	(4,196)
		142,683	150,867
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK5.60 cents**	HK6.08 cents
Diluted		**HK5.60 cents**	HK6.07 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**142,683**	150,867
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	**181**	(2,118)
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 PERIOD, NET OF TAX	**181**	(1,055)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**142,864**	149,812
Attributable to:		
Owners of the Company	**142,922**	153,638
Non-controlling interests	**(58)**	(3,826)
	142,864	149,812

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**2,563,498**	1,811,786
Investment property		**25,000**	25,000
Right-of-use assets		**19,448**	—
Goodwill		**81,489**	81,489
Other intangible assets		**93,645**	86,296
Interests in joint ventures	*10*	**778,077**	762,918
Deposits and other receivables		**237,356**	164,292
Deferred tax assets		**14,584**	15,465
Total non-current assets		**3,813,097**	2,947,246
CURRENT ASSETS			
Inventories		**1,018,429**	1,249,430
Trade and bills receivables	*11*	**1,150,360**	1,071,077
Prepayments, deposits, other receivables and other assets		**576,625**	445,939
Due from related companies		**84**	579
Tax recoverable		**24,085**	52,022
Restricted cash		**95,108**	81,209
Pledged deposits		**6,076**	48,443
Cash and cash equivalents		**823,389**	541,353
		3,694,156	3,490,052
Assets held for sales		**956,929**	956,929
Total current assets		**4,651,085**	4,446,981
CURRENT LIABILITIES			
Trade and bills payables	*12*	**250,458**	394,801
Other payables and accruals		**652,207**	492,884
Senior notes		**10,608**	6,268
Interest-bearing bank and other borrowings		**2,119,214**	2,384,499
Tax payable		**2,032**	6,024
Provision for restoration		**5,701**	3,249
Total current liabilities		**3,040,220**	3,287,725
NET CURRENT ASSETS		**1,610,865**	1,159,256
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,423,962**	4,106,502

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2019

	Notes	**30 June 2019 (Unaudited)** *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**548,602**	73,491
Senior notes		**776,761**	779,622
Interest-bearing bank and other borrowings		**1,309,685**	585,434
Provision for restoration		**31,035**	31,480
Deferred tax liabilities		**19,405**	20,121
Total non-current liabilities		**2,685,488**	1,490,148
Net assets		**2,738,474**	2,616,354
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**256,223**	256,207
Reserves		**2,444,170**	2,313,993
		2,700,393	2,570,200
Non-controlling interests		**38,081**	46,154
Total equity		**2,738,474**	2,616,354

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 2019, 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the Hong Kong Accounting Standard 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 annual consolidated financial statements for the year ended 31 December 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below.

(a) *Adoption of HKFRS 16*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) lease of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the leases term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continued to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	18,255
Decrease in property, plant and equipment	(432)
Increase in total assets	17,823
Liabilities	
Increase in lease liabilities	19,384
Decrease in other payables and accruals	(1,104)
Increase in total liabilities	18,280
Decrease in retained profits	457

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

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

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

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables"), and the movement during the period are as follow:

	Right-of-use assets	**Lease liabilities**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
As at 1 January 2019	18,255	19,384
Additions	6,156	6,156
Depreciation charge	(4,950)	—
Interest expense	—	518
Payments	—	(5,501)
Exchange realignment	(13)	(13)
As at 30 June 2019	19,448	20,544

The Group recognised rental expenses from short-term leases of HK$1,194,000 for the six months ended 30 June 2019.

(b) ***Adoption of Amendments to HKAS 28***

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate of joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, amounts due from related companies, 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.

For the six months ended 30 June 2019 (unaudited)

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	688,758	514,684	1,203,442
Intersegment sales	2,546	—	2,546
	691,304	514,684	1,205,988
Reconciliation:			
Elimination of intersegment sales			(2,546)
Revenue			1,203,442
Segment results	123,627	195,309	318,936
Reconciliation:			
Elimination of intersegment results			(59)
Bank interest income			703
Corporate and unallocated expenses, net			(45,061)
Finance costs			(117,711)
Profit before tax			156,808
Segment assets	2,122,144	4,556,818	6,678,962
Reconciliation:			
Corporate and unallocated assets			1,785,220
Total assets			8,464,182
Segment liabilities	1,043,460	441,847	1,485,307
Reconciliation:			
Corporate and unallocated liabilities			4,240,401
Total liabilities			5,725,708
Other segment information:			
Reversal of impairment of trade receivables	(289)	—	(289)
Depreciation*	7,426	73,116	80,542
Amortisation of intangible assets	—	1,426	1,426
Capital expenditure	2,820	733,897	736,717

* Depreciation excludes depreciation charges of HK$818,000 for corporate assets.

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			1,732
Corporate and unallocated expenses, net			(33,809)
Finance costs			(79,786)
Profit before tax			161,992
Other segment information:			
Reversal of impairment of trade receivables	(62)	—	(62)
Depreciation	2,660	101,556	104,216
Amortisation of intangible assets	—	1,189	1,189
Capital expenditure#	6,591	914,029	920,620
Year ended 31 December 2018 (audited)			
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

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

Geographical information

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**58,141**	68,978
Mainland China	**61,722**	193,706
Latin America	**214,186**	142,065
Asian countries	**746,709**	683,263
Other countries	**122,684**	1,392
	1,203,442	1,089,404

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

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

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**959,601**	944,014
Mainland China	**49,468**	49,901
Latin America	**1,081,749**	1,021,570
Asian countries	**1,591,016**	823,340
Other countries	**114,470**	90,748
	3,796,304	2,929,573

The non-current asset information above is reported 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 is as follows:

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the six months ended 30 June 2019 (unaudited)

Segments	**SI** *HK$'000*	**IBO** *HK$'000*	**Total** *HK$'000*
Type of goods or services			
Sale of goods	**688,446**	**—**	**688,446**
Installation/construction services	**312**	**—**	**312**
Provision of distributed power solutions	**—**	**514,684**	**514,684**
Total revenue from contracts with customers	**688,758**	**514,684**	**1,203,442**
Timing of revenue recognition			
Goods transferred at a point in time	**688,446**	**—**	**688,446**
Services transferred over time	**312**	**514,684**	**514,996**
Total revenue from contracts with customers	**688,758**	**514,684**	**1,203,442**

For the six months ended 30 June 2018 (unaudited)

Segments	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Type of goods or services			
Sale of goods	646,455	—	646,455
Installation/construction services	775	—	775
Provision of distributed power solutions	—	442,174	442,174
Total revenue from contracts with customers	647,230	442,174	1,089,404
Timing of revenue recognition			
Goods transferred at a point in time	646,455	—	646,455
Services transferred over time	775	442,174	442,949
Total revenue from contracts with customers	647,230	442,174	1,089,404

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Six months ended 30 June	
	2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,537**	28,906

(ii) ***Performance obligations***

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

Sale of engine-based electricity generation units

The performance obligation is satisfied upon delivery of the engine-based electricity generation units and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Installation/construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation/construction and customer acceptance.

Provision of distributed power solutions

The performance obligation is satisfied over time when the energy is produced and delivered to the customer in accordance with the contractual arrangements.

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Bank interest income	**703**	1,732
Loan interest income	**941**	4,108
Sales deposits forfeited	**—**	11,050
Government grants*	**1,329**	84
Others	**1,390**	2,525
	4,363	19,499
Gains		
Foreign exchange difference, net	**3,759**	—
Reversal of impairment of trade receivables	**289**	—
Fair value gain on an investment property	**—**	1,000
Gain on debt extinguishment	**—**	12,847
	4,048	13,847
	8,411	33,346

* 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation*	**81,360**	104,216
Amortisation of intangible assets	**1,426**	1,189
Fair value gain on an investment property	**—**	(1,000)
Fair value loss on derivative financial instrument — transaction not qualifying as hedge	**—**	4,828#
Reversal of impairment of trade receivables	**(289)**	(62)#
Foreign exchange difference, net	**(3,759)**	36,250#
Equity-settled share option expense	**415**	1,060

* Included in the cost of sales for the period is depreciation charges of HK$71,332,000 (six months ended 30 June 2018: HK$100,388,000).

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 2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**3,666**	358
Current — Elsewhere		
Charge for the period	**9,009**	9,810
Overprovision in prior periods	**—**	(1,238)
Deferred	**1,450**	2,195
Total tax charge for the period	**14,125**	11,125

7. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2018:		
HK0.48 cents (year ended 31 December 2017: HK1.76 cents) per ordinary share	**12,239**	44,887
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2019:		
HK0.55 cents (six months ended 30 June 2018: HK1.47 cents) per ordinary share	**14,092**	37,659

Declaration of the interim dividend of HK0.55 cents per ordinary share in respect of the six months ended 30 June 2019 was approved by the board of directors on 30 August 2019. 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 final dividend of HK0.48 cents per ordinary share in respect of the year ended 31 December 2018 was approved by the Company's shareholders at the annual general meeting held on 3 June 2019. The final dividend of HK1.76 cents per ordinary share in respect of year ended 31 December 2017 was approved by the Company's shareholders at the annual general meeting held on 29 May 2018.

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

The basic earnings per share is calculated based on the profit for the period attributable to ordinary equity holders of the Company of HK$142,688,000 (six months ended 30 June 2018: HK$155,063,000) and the weighted average number of ordinary shares of 2,549,785,817 (six months ended 30 June 2018: 2,550,429,989) in issue during the period, as adjusted to exclude the shares held by the trustee under the share award scheme.

The diluted earnings per share is calculated based on the profit for the period attributable to ordinary equity holders of the Company of HK$142,688,000 (six months ended 30 June 2018: HK$155,063,000), the weighted average number of ordinary shares of 2,549,785,817 (six months ended 30 June 2018: 2,550,429,989) in issue during the period, as used in the calculation of basic earnings per share, and the weighted average number of ordinary shares of 1,212,674 (six months ended 30 June 2018: 2,369,707) 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$736,717,000 (six months ended 30 June 2018: HK$920,620,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2018: Nil).

10. INTERESTS IN JOINT VENTURES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Share of net assets	**778,077**	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 30 June 2019, the Company has invested approximately HK$774,320,000 in the Fund.

11. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade and bills receivables	**1,153,344**	1,073,636
Impairment	**(2,984)**	(2,559)
	1,150,360	1,071,077

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 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 30 days	**643,436**	568,030
31 to 60 days	**57,690**	96,709
61 to 90 days	**25,792**	65,707
91 to 180 days	**55,719**	140,350
181 to 360 days	**266,868**	124,817
Over 360 days	**100,855**	75,464
	1,150,360	1,071,077

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 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Within 1 month	**79,341**	148,424
1 to 2 months	**95,949**	92,171
2 to 3 months	**27,056**	4,473
Over 3 months	**48,112**	149,733
	250,458	394,801

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

13. SHARE CAPITAL

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,562,230,000 (31 December 2018: 2,562,074,000) ordinary shares of HK$0.1 each	**256,223**	256,207

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

		Number of ordinary shares	**Nominal value of ordinary shares** *HK$'000*
At 1 January 2018		2,561,594,000	256,159
Share options exercised	*Note*	480,000	48
At 31 December 2018 and 1 January 2019		2,562,074,000	256,207
Share options exercised	*Note*	156,000	16
At 30 June 2019		2,562,230,000	256,223

Note:

In the six months ended 30 June 2019, share options with rights to subscribe for 156,000 (31 December 2018: 480,000) shares were exercised at the subscription price of HK$2.016 per share, resulting in the issue of 156,000 (31 December 2018: 480,000) ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$314,000 (31 December 2018: HK$968,000). An amount of HK$190,000 (31 December 2018: HK$586,000) was transferred from the share options reserve to the share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global energy transformation continued in the first half of 2019 despite of the complex and challenging macroeconomic environment. Decentralisation, decarbonization and digitalization remained as the key topics driven by the motivations to combat climate change and foster sustainable growth. Distributed power generation ("**DPG**") market, in particular engine-based power generation, gained more momentum with expanding scope of applications, covering power rental, backup power, peak shaving, fast-track small to medium scale utilities and power reserve market.

The solid power demand growth and power deficit continued to affect most of the emerging countries such as Myanmar, Indonesia and Sri Lanka, resulting in an increasing number of DPG project tenders issued by the governments to boost power supply. Our lower capital required, flexible, fast-track DPG solutions continued to play a vital role in bridging the demand and supply gap in these countries.

Business Review

System Integration ("SI") Business

We maintained our leadership in the global SI market, and recorded a revenue of HK$688.8 million in the first half of 2019 (corresponding period in 2018: HK$647.2 million), representing a growth of 6.4%, which was mainly attributable to the increase in orders from the United Kingdom.

Invest, Build and Operate ("IBO") Business

In the first half of 2019, we continued our strategy to build a global business network by penetrating our existing IBO markets, and enhancing our efforts in extending market presence in new IBO markets simultaneously.

Myanmar, being one of our focus of operating countries along the Belt and Road Initiative, is undergoing electricity deficit due to accelerating local economic development and unfavorable weather conditions. Policies have been put in place to ensure electricity supply growth by encouraging foreign investors and introducing more efficient power solutions. In February 2019, our fourth distributed power station in the country commenced commercial operation, which further consolidated our leadership as an independent power producer in Myanmar. It is a 109.7MW gas-fired project with a contract term of five years ("**Myingyan II Project**"). To enhance the energy efficiency, we installed modular organic rankine cycle ("**ORC**") system to our project for conversion of waste heat into electricity. In March 2019, we had another 4.7MW gas-fired project, with a contract term of four years ("**Yangon Project**") commenced commercial operation.

In Indonesia, we secured a gas-fired project of 18.7MW planned installed capacity with a right of first refusal to supply additional power by increasing the contract capacity up to 60MW for a contract term of 15 years ("**Dumai Project**"). The project, which will be operated in island mode, is expected to commence commercial operation in the fourth quarter of 2019.

Seeing the growth in electricity demand and business opportunities in Sri Lanka, we entered the market in the first half of 2019 through public tenders. The two projects with a total installed capacity of 54.9MW are currently in commercial operation.

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	—[(3)]	Indonesia
Jambi	56.4	60	Indonesia
Medan[(4)]	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	109.7	60	Myanmar
Yangon	4.7	48	Myanmar
Subtotal	364.0		
Iquitos[(5)]	79.8	240	Peru
Shandong I	8.2	180	China
Shandong II[(6)]	6.2	180	China
Subtotal	14.4		
Hambantota	28.1	6	Sri Lanka
Horana	26.8	6	Sri Lanka
Subtotal	54.9		
Total	729.9		

Notes:

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

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

(3) We are in process of contract renewal.

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

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

(6) The Shandong II project is under trial operation.

Our IBO business segment recorded a revenue growth of 16.4% to HK$514.7 million for the first half of 2019 (corresponding period in 2018: HK$442.2 million). The increase was primarily due to the increased revenue contribution of the Iquitos Project and the contribution of the newly added Myingyan II project, which was partially offset by the off-hires of two projects in Indonesia and Bangladesh respectively.

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

Projects	**Planned installed capacity** *(MW)*	**Location**
Dumai	18.7[1]	Indonesia
Amazonas State	70.3	Brazil
Doncaster	20.3	United Kingdom
UK	132.0	United Kingdom
China Biogas	12.4	China
Ghana	56.2	Ghana
Total	309.9	

Note:

(1) Under the relevant power purchase agreement, we are granted a right of first refusal to supply additional power by increasing the contract capacity up to 60MW.

In addition, as of the date of this announcement, we are under advanced stage of negotiation for projects over 1,200MW planned installed capacity in certain Asian countries and the United Kingdom. Fuel source of these projects and includes liquified natural gas ("**LNG**"), natural gas and biogas. We expect to develop and operate certain of these potential projects with our strategic partner(s) through joint venture arrangements.

Outlook

To meet global climate objectives including the Sustainable Development Goals as set out by the United Nations, we expect the global energy transformation will continue to accelerate in the foreseeable future. Deployment of cleaner power solutions to replace older coal-fired power generation is expected to increase. We are seeing increasing demand for DPG solutions given the continuing structural power deficit in emerging markets and growing power reserve demand to stabilize and balance local power grid in developed markets.

With the efforts in past years, we have developed a geographically diversified business platform for sustainable development. In the second half of 2019, we will continue to focus on materializing the projects on our pipeline. Power shortage remains a major problem for emerging countries. In Myanmar, we are seeing the government making progress to improve the electricity supply for the communities with plenty of forthcoming larger-scale LNG and natural gas projects. Backed by the favorable policies and government motivation, we look forward to making further contributions to their electrification. In Latin America, we expect our first project in Brazil to commence commercial operation in the second half of 2019.

In developed markets, such as the United Kingdom, growing demand for power reserve to alleviate the risk of renewable power supply instability is evident. It represents an opportunity for the Group to seize the market potentials by offering our small-scale, cost-effective, flexible and responsive DPG solutions to help balance and stabilize the national grid system. Our first project is expected to commence commercial operation towards the end of 2019.

We also expect to see fuel mix revamping in various markets due to different reasons, including fuel availability, fuel reliability and consideration over carbon emission. Other than the expansion of renewables, LNG will be another key source of power generation in the future given its ease of transportation as well as safer and more environmentally-friendly nature as compared to coal. According to market research, LNG demand is expected to reach about 384 million tonnes in 2020 led by Asian countries and will continue to rise until stabilizes in 2035. To capture the trend, we would also look into the LNG market, and explore opportunities to provide LNG to power solutions.

In light of the distinctive market characteristics and potentials, we will formulate appropriate strategy and structure for each market and if needed, each project to ensure we could prioritize our resources for the best performance. We may consider good synergistic acquisition opportunities emerging from industry consolidation in some mature markets, and also mutual beneficial partnership and project level collaboration. We will also continue to seek for attractive business opportunities in the evolving energy sector in countries along the Belt and Road Initiative through Tamar VPower Energy Fund I.

In conclusion, the global power market is evolving towards decentralization, decarbonization and digitalization. With our excellent track record in fast-track DPG projects globally, we are confident to capture the business opportunities for DPG solutions either by ourselves or together with our strategic partners in a sustainable future.

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	
	2019	2018
	HK$'000	*HK$'000*
SI	**688,758**	647,230
IBO	**514,684**	442,174
Total	**1,203,442**	1,089,404

In the six months ended 30 June 2019, the Group recorded a revenue of approximately HK$1,203.4 million, representing an increase of 10.5% as compared with approximately HK$1,089.4 million of the corresponding period in 2018. 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			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong	**58,141**	4.8	68,978	6.3
Mainland China	**52,049**	4.3	193,706	17.8
Asian countries[(1)]	**455,885**	37.9	383,153	35.2
Other countries[(2)]	**122,683**	10.2	1,393	0.1
Total	**688,758**	57.2	647,230	59.4

Notes:

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

(2) Other countries include United Kingdom, Mexico and certain countries in Africa.

The table below sets forth a revenue breakdown 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			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Indonesia	**73,850**	6.2	89,067	8.2
Bangladesh	**—**	—	37,147	3.4
Peru	**214,186**	17.8	142,065	13.0
Myanmar	**214,786**	17.8	173,895	16.0
Other countries	**11,862**	1.0	—	—
Total	**514,684**	42.8	442,174	40.6

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$806.4 million for the six months ended 30 June 2019, representing an increase of HK$90.9 million as compared with approximately HK$715.5 million of the corresponding period in 2018. The increase was due to the growth of our SI and IBO businesses.

Gross profit and gross profit margin

	Six months ended 30 June			
	2019		2018	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**158,166**	23.0	147,229	22.7
IBO	**238,875**	46.4	226,662	51.3
Total	**397,041**	33.0	373,891	34.3

Gross profit of the Group was approximately HK$397.0 million for the six months ended 30 June 2019, representing an increase of 6.2% as compared with approximately HK$373.9 million of the corresponding period in 2018. Gross profit margin for the six months ended 30 June 2019 decreased to 33.0% from 34.3% for the six months ended 30 June 2018 which was mainly attributable to the increase in pass-through fuel cost in IBO business.

Profit before tax

Profit before tax for the six months ended 30 June 2019 was approximately HK$156.8 million, representing a decrease of 3.2% as compared with approximately HK$162.0 million of the corresponding period in 2018. The decrease was mainly due to (i) a decrease in other income and gains; and (ii) an increase in finance costs as a result of increase in interest-bearing bank and other borrowings.

Other income and gains

In the six months ended 30 June 2019, other income and gains of the Group amounted to approximately HK$8.4 million, representing a decrease of 74.8% as compared with approximately HK$33.3 million of the corresponding period in 2018. The reason for the decrease was that we recorded substantial gain on debt extinguishment and forfeiture of sales deposits in the six months ended 30 June 2018 as a result of certain non-recurrent events but there was no such events which resulted in other income or gain of a significant amount during the six months ended 30 June 2019.

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 decreased by 11.6% from approximately HK$12.1 million for the six months ended 30 June 2018 to HK$10.7 million for the six months ended 30 June 2019. The decrease was mainly due to better cost control in six months ended 30 June 2019.

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 2019, administrative expenses of the Group were approximately HK$117.6 million, representing an increase of 7.1% as compared with that of HK$109.8 million in the corresponding period of 2018. The increase was mainly due to increase in expenses incurred for expansion of overseas businesses.

Other expenses, net

In the six months ended 30 June 2018, other expenses, net of the Group primarily consist of unrealised foreign exchange loss on realignment of trade payable and bank borrowings. In the six months ended 30 June 2019, no other expenses, net was incurred.

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 2019, finance costs were approximately HK$117.7 million, which represented an increase of 47.5% over that of approximately HK$79.8 million in the corresponding period of 2018. The increase was primarily due to increase in the interest payments for the senior notes issued by a non-wholly owned subsidiary and 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 2019, income tax expense was approximately HK$14.1 million, representing an increase of 27.0% as compared with that of approximately HK$11.1 million in the corresponding period of 2018, and our effective tax rate was 9.0% and 6.9% for the six months ended 30 June 2019 and 2018, respectively. Both increases were primarily due to the increase in tax expense incurred in Hong Kong in the six months ended 30 June 2019.

Profit Attributable to Owners and Earnings per Share

In six months ended 30 June 2019, profit attributable to owners of the Company was approximately HK$142.7 million, representing a decrease of approximately HK$12.4 million or approximately 8.0% as compared with that of approximately HK$155.1 million in the corresponding period of 2018.

Basic earnings per share for the six months ended 30 June 2019 were HK5.60 cents as compared with that of HK6.08 cents in the corresponding period of 2018.

Liquidity, Financial and Capital Resources

As at 30 June 2019, total current assets of the Group amounted to approximately HK$4,651.1 million (31 December 2018: HK$4,447.0 million). In terms of financial resources as at 30 June 2019, cash and cash equivalents of the Group were approximately HK$823.4 million (31 December 2018: HK$541.4 million).

As at 30 June 2019, total bank and other borrowings and senior notes of the Group amounted to approximately HK$4,216.3 million (31 December 2018: HK$3,755.8 million), representing an increase of approximately 12.3% as compared to that of 31 December 2018. 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 30 June 2019, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars and Euro were approximately HK$3,590.4 million (31 December 2018: HK$3,284.0 million), HK$436.6 million (31 December 2018: HK$409.2 million) and approximately HK$172.7 million (31 December 2018: HK$62.6 million), respectively.

In June 2019, the Group had drawn a new unsecured US$130 million three-year term loan facility with a group of four international banks to refinance bank loans maturing in 2019 and 2020. The increase in cash and cash equivalents was mainly due to the Group's internally generated cash flows from operation and cash drawn under the aforesaid term loan facility.

As at 30 June 2019, the Group's current ratio was 1.5 (31 December 2018: 1.4). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 67.6% (31 December 2018: 64.6%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 63.8% (31 December 2018: 58.9%). 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 120.2% (31 December 2018: 117.9%). The net gearing ratio, adjusted by excluding the senior notes issued by the 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 94.9% (31 December 2018: 91.0%).

Charge of Assets

As at 30 June 2019, the Group had charged certain property, plant and equipment with a net book value of approximately HK$561.5 million (31 December 2018: HK$565.8 million) and pledged deposits of HK$6.1 million (31 December 2018: HK$48.4 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$841.5 million (31 December 2018: HK$862.0 million) and restricted cash of HK$95.1 million (31 December 2018: HK$81.2 million) as security for the senior notes issuance of such subsidiary.

Exposure on Foreign Exchange Fluctuations

The Group's revenue and payments are mainly in U.S. dollars, Indonesian Rupiah ("**IDR**"), Renminbi ("**RMB**"), Euro, Myanmar Kyat ("**MMK**") and United Kingdom Pound ("**GBP**"). 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 denominated in currencies other than the functional currency of the respective operations, which are primarily Euro, IDR, RMB, MMK and GBP. A majority of the Group's purchases are either in Euro or U.S. dollar. During the six months ended 30 June 2019, 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 risk and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

As at 30 June 2019, the Group had contingent liabilities of HK$43.9 million (31 December 2018: HK$24.1 million).

Capital Expenditures

For the six months ended 30 June 2019, the Group invested approximately HK$736.7 million (31 December 2018: HK$1,012.1 million).

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2019, the Group had not made any material acquisitions and disposal of subsidiaries, associates and joint ventures.

EMPLOYEES

As at 30 June 2019, the Group had 402 employees (31 December 2018: 371). 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 2019, 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 employees.

INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK0.55 cents per share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 18 September 2019. It is expected that the interim dividend will be distributed on or before Friday, 27 September 2019.

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, 16 September 2019 to Wednesday, 18 September 2019 (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, 13 September 2019.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2019, the Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the Independent Non-Executive Directors of the Company was unable to attend the annual general meeting of the Company held on 3 June 2019 due to his other business engagements.

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 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with the management of the Company, the accounting principles and practices adopted by the Group; discussed internal controls and risk management; and financial reporting matters in August 2019 including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2019.

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 2019 Interim Report will be despatched to shareholders of the Company and posted at the aforesaid websites in September 2019.

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

Hong Kong, 30 August 2019

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.