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VPOWER GROUP INTERNATIONAL HOLDINGS LIMITED

偉能集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1608)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

KEY HIGHLIGHTS

- Revenue rose 15.4% to HK$2,794.0 million. Among which, revenue from SI business was HK$1,756.5 million and revenue from IBO business was HK$1,037.5 million, representing an increase of 11.2% and 23.3% respectively.
- Gross profit increased 4.3% to HK$737.2 million.
- EBITDA increased 37.3% to HK$853.2 million.
- Profit attributable to the owners of the Company increased 33.0% to HK$283.6 million.
- The Board proposed a final dividend of HK2.20 cents per share. Subject to shareholders' approval of the final dividend, this will result in a full year dividend of HK2.75 cents per share, which represents around 25% of the Group's profit for the year ended 31 December 2019.
- Looking forward, the Company will continue to maintain its leadership in the global SI market; and increase the total installed capacity of its project portfolio (including projects under joint venture) from currently 752.7MW to around 1,900MW by the end of 2020.

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 2019, together with comparative figures of the last financial year in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**2,794,036**	2,420,749
Cost of sales		**(2,056,794)**	(1,714,007)
Gross profit		**737,242**	706,742
Other income and gains	5	**143,505**	40,164
Selling and distribution expenses		**(30,981)**	(25,794)
Administrative expenses		**(338,986)**	(272,561)
Other expenses, net		**(5,210)**	(32,489)
Finance costs		**(249,296)**	(191,359)
Share of profits and losses of joint ventures		**66,873**	6,298
PROFIT BEFORE TAX	6	**323,147**	231,001
Income tax expense	7	**(40,889)**	(30,096)
PROFIT FOR THE YEAR		**282,258**	200,905
Attributable to:			
Owners of the Company		**283,551**	213,288
Non-controlling interests		**(1,293)**	(12,383)
		282,258	200,905
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**HK11.12 cents**	HK8.36 cents
Diluted		**HK11.12 cents**	HK8.36 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**282,258**	200,905
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of hedging instruments arising during the year	**781**	—
Reclassification adjustments included in the consolidated statement of profit or loss	**(975)**	—
	(194)	—
Exchange differences on translation of foreign operations	**(5,490)**	(12,604)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(5,684)**	(12,604)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**—**	1,063
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(5,684)**	(11,541)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**276,574**	189,364
Attributable to:		
Owners of the Company	**277,920**	187,194
Non-controlling interests	**(1,346)**	2,170
	276,574	189,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,761,021**	1,811,786
Investment property		**24,600**	25,000
Right-of-use assets		**18,290**	—
Goodwill		**81,489**	81,489
Other intangible assets		**94,151**	86,296
Interests in joint ventures		**853,047**	762,918
Deposits and other receivables		**147,347**	164,292
Deferred tax assets		**15,333**	15,465
Total non-current assets		**4,995,278**	2,947,246
CURRENT ASSETS			
Inventories		**885,860**	1,249,430
Trade and bills receivables	*10*	**1,225,632**	1,071,077
Prepayments, deposits, other receivables and other assets		**639,129**	445,939
Due from related companies		**96**	579
Derivative financial instruments		**589**	—
Tax recoverable		**19,734**	52,022
Restricted cash		**81,635**	81,209
Pledged deposits		**62,200**	48,443
Cash and cash equivalents		**772,439**	541,353
		3,687,314	3,490,052
Assets held for sale	*13*	**268,680**	956,929
Total current assets		**3,955,994**	4,446,981
CURRENT LIABILITIES			
Trade and bills payables	*11*	**739,105**	394,801
Other payables and accruals		**805,306**	419,000
Contract liabilities		**122,868**	73,884
Derivative financial instruments		**194**	—
Senior notes		**17,724**	6,268
Interest-bearing bank and other borrowings		**1,782,557**	2,384,499
Lease liabilities		**10,434**	—
Tax payable		**18,219**	6,024
Provision for restoration		**4,174**	3,249
Total current liabilities		**3,500,581**	3,287,725
NET CURRENT ASSETS		**455,413**	1,159,256
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,450,691**	4,106,502

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**329,235**	73,491
Senior notes		**764,395**	779,622
Interest-bearing bank and other borrowings		**1,449,704**	585,434
Lease liabilities		**7,148**	—
Provision for restoration		**22,826**	31,480
Deferred tax liabilities		**18,747**	20,121
Total non-current liabilities		**2,592,055**	1,490,148
Net assets		**2,858,636**	2,616,354
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**256,228**	256,207
Reserves		**2,565,615**	2,313,993
		2,821,843	2,570,200
Non-controlling interests		**36,793**	46,154
Total equity		**2,858,636**	2,616,354

NOTES:

1. CORPORATE INFORMATION

VPower Group International Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Units 2701–05, 27/F, 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 and operation of distributed power generation stations.

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

2. BASIS OF PREPARATION

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, 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) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

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 properties, motor vehicles and office equipment. 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 recognise 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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. The right-of-use assets for most leases 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. For the other leases, the right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 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. This includes the lease assets recognised previously under finance leases of HK$49,000 that were reclassified from property, plant and equipment.

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 continue 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:

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

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

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	19,439
Decrease in property, plant and equipment	(481)
Decrease in prepayment, deposits, other receivables and other assets	(129)
Increase in total assets	18,829
Liabilities	
Increase in lease liabilities	20,431
Decrease in other payables and accruals	(1,104)
Decrease in interest-bearing bank and other borrowings	(50)
Increase in total liabilities	19,277
Decrease in retained profits	(448)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	22,740
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(3,320)
Add: Payments for optional extension periods not recognised as at 31 December 2018	1,922
	21,342
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	20,381
Add: Finance lease liabilities recognised as at 31 December 2018	50
Lease liabilities as at 1 January 2019	20,431

(b) 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 or 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 amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 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 and operates distributed power generation stations to provide distributed power solutions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains/losses from the Group's 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 instruments, tax recoverable, restricted cash, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

Year ended 31 December 2019

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

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	227,902	268,411	496,313
Reconciliation:			
Elimination of intersegment results			(1,408)
Bank interest income			2,828
Corporate and unallocated expenses, net			(75,373)
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

Geographical information

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**567,448**	474,965
Asian countries	**1,574,824**	1,456,701
Latin America	**449,592**	486,526
Other countries	**202,172**	2,557
	2,794,036	2,420,749

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

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**1,040,228**	993,915
Asian countries	**2,445,391**	823,340
Latin America	**1,344,251**	1,021,570
Other countries	**147,800**	90,748
	4,977,670	2,929,573

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**751,014**	560,324
Customer B	**449,592**	333,374
Customer C	**N/A***	269,323
Customer D	**407,170**	256,764
	1,607,776	1,419,785

* Nil or less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

For the year ended 31 December 2019

Segments	**SI**	**IBO**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Total revenue from contracts with customers	**1,756,502**	**1,037,534**	**2,794,036**

For the year ended 31 December 2018

Segments	SI	IBO	Total
	HK$'000	*HK$'000*	*HK$'000*
Total revenue from contracts with customers	1,579,038	841,711	2,420,749

An analysis of other income and gains is as follows:

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**2,242**	2,828
Loan interest income	**175**	3,914
Consultancy income	**134,870**	—
Government grants*	**1,529**	271
Sales deposits forfeited	**—**	11,050
Others	**4,100**	8,254
	142,916	26,317
Gains		
Fair value gains on derivative financial instruments	**589**	—
Fair value gain on an investment property	**—**	1,000
Gain on debt extinguishment	**—**	12,847
	589	13,847
	143,505	40,164

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

6. PROFIT BEFORE TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Depreciation of right-of-use assets	**10,398**	—
Depreciation of property, plant and equipment*	**267,526**	196,516
Amortisation of intangible assets	**2,879**	2,700
Net loss on settlement of derivative financial instruments#	**—**	4,504
Foreign exchange differences, net#	**478**	28,827
Write-down/(reversal of write-down) of inventories to net realisable value	**2,926#**	(9,025)^
Loss on disposal of items of property, plant and equipment, net#	**501**	361
Equity-settled share option expense	**775**	2,086

* The cost of sales for the year included depreciation charges of HK$225,393,000 (2018: HK$175,533,000).

^ In the prior year, the cost of sales included reversal of write-down of inventories to net realisable value of HK$9,025,000.

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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019, for which the first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019 *HK$'000*	2018 *HK$'000*
Current — Hong Kong		
Charge for the year	**10,266**	6,686
Overprovision in prior years	**—**	(126)
Current — Elsewhere		
Charge for the year	**35,192**	24,415
Overprovision in prior years	**(3,338)**	(1,127)
Deferred	**(1,231)**	248
Total tax charge for the year	**40,889**	30,096

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final 2018 — HK0.48 cent (2017: HK1.76 cents) per ordinary share	**12,298**	45,089
Less: Dividend for shares held under the share award scheme	**(59)**	(202)
	12,239	44,887
Interim 2019 — HK0.55 cent (2018: HK1.47 cents) per ordinary share	**14,092**	37,659
Less: Dividend for shares held under the share award scheme	**(68)**	(184)
	14,024	37,475
	26,263	82,362
Final dividend proposed after the end of the reporting period:		
Proposed final 2019 — HK2.20 cents (2018: HK0.48 cent) per ordinary share	**56,370**	12,298

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$283,551,000 (2018: HK$213,288,000), and the weighted average number of ordinary shares of 2,549,837,000 (2018: 2,549,977,000) in issue during the year, as adjusted to exclude the shares held under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$283,551,000 (2018: HK$213,288,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,549,837,000 (2018: 2,549,977,000) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,085,000 (2018: 1,452,000) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**1,229,791**	1,073,636
Impairment	**(4,159)**	(2,559)
	1,225,632	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 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**615,840**	568,030
31 to 60 days	**205,806**	96,709
61 to 90 days	**47,735**	65,707
91 to 180 days	**68,878**	140,350
181 to 360 days	**86,804**	124,817
Over 360 days	**200,569**	75,464
	1,225,632	1,071,077

11. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**267,325**	148,424
1 to 2 months	**208,882**	92,171
2 to 3 months	**97,768**	4,473
Over 3 months	**165,130**	149,733
	739,105	394,801

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

12. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,562,284,000 (2018: 2,562,074,000) ordinary shares of HK$0.1 each	**256,228**	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 at 1 January 2019		2,562,074,000	256,207
Share options exercised	*Note*	210,000	21
At 31 December 2019		2,562,284,000	256,228

Note:

During the year, share options with rights to subscribe for 210,000 (2018: 480,000) shares were exercised at the subscription price of HK$2.016 per share (2018: HK$2.016 per share), resulting in the issue of 210,000 (2018: 480,000) ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$423,000 (2018: HK$968,000). An amount of HK$259,000 (2018: HK$586,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

13. ASSETS HELD FOR SALE

In the prior year, the Group 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 was expected to be completed within one year from the date of reclassification. Accordingly, the related power generation assets of HK$956,929,000 were classified as assets held for sale as at 31 December 2018.

On 18 October 2019, the Group and the independent third party ceased negotiation of the relevant possible transactions. As the original plan of sale was terminated, the relevant assets were reclassified from assets held for sale to property, plant and equipment during the year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Market Review

The global economic growth momentum subdued in 2019 due to the intensified trade conflicts, prolonged uncertainty over Brexit and rising geopolitical tensions. Against such a backdrop, the energy industry showed resilience and continued its transition towards decentralisation, decarbonization and digitalization.

The developed economies had undergone a more rapid development towards a green future with more renewable energy being deployed to replace coal-fired power generation. As such, demand for distributed power to serve as a backbone solution for pushing the increasing volume of renewable energy in a sustainable way remained robust. On a different front, in developing countries where population still faces serious challenges in accessing energy on a daily basis, the desire for immediate access to safe, reliable and affordable electricity remained strong. Consequently, these basic necessity needs resulted in a demand for fast-track distributed power solutions to work with the relevant government authorities to mitigate power shortage promptly.

Business Review

Despite the challenges and volatilities in global business environment throughout the year, our business and operations were proven to be resilient and we managed to record a satisfactory growth in both business segments for the year ended 31 December 2019.

System Integration ("SI") Business

Leveraging on our 20 years of operational experience in SI business, we continued to strengthen our leadership in the global SI market. Revenue for the year ended 31 December 2019 was HK$1,756.5 million (2018: HK$ 1,579.0 million), representing a growth of 11.2%, which was mainly attributable to sales to satisfy the increasing demand from power reserve market and rapid development of data centers and marine market.

Invest, Build and Operate ("IBO") Business

In 2019, we continued our vertical penetration marketing strategy in existing IBO markets by focusing on growing our market share, while at the same time expand business presence in selective new IBO markets. Southeast Asian countries remained as the core of our business expansion. Our IBO business segment recorded a revenue growth of 23.3% to HK$1,037.5 million for the year ended 31 December 2019 (2018: HK$841.7 million). The increase was primarily contributed by the revenue generated from the new projects in Myanmar and Sri Lanka which was partially offset by the off-hire of a project in Indonesia.

Myanmar, being one of our focus IBO markets covered by China's Belt and Road Initiative, has been facing, and will continue to face, the challenges of electricity deficit. It is due to its accelerating local economic development and urbanization, and the under performance of their traditional hydro-power generation caused by unfavorable weather conditions. Government is responding to the obvious needs, policies have been put in place to ensure electricity supply growth by encouraging foreign investment 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**"). As part of the Group's efforts in promoting low-carbon power generation, we installed modular organic rankine cycle ("**ORC**") system (a system developed by an investee company of Tamar VPower Energy Fund I, L.P.) to our project for conversion of waste heat into electricity. Besides the Myingyan II Project, we commenced commercial operation of another 4.7MW gas-fired project in March 2019 in Yangon, with a contract term of four years ("**Yangon Project**").

In mid-2019, we were awarded a public tender for a 20MW gas-fired power project (with planned installed capacity of 23.2MW), which is expected to commence commercial operation in the second quarter of 2020. At the same time, the consortium comprising our group members and China National Technical Import & Export Corporation ("**CNTIC**") was awarded three power projects with an aggregate contract capacity of 900MW (with total planned installed capacity of 1,059.5MW). Accordingly, we are building the country's first liquified natural gas ("**LNG**")-to-power station. The win represents an important milestone of the Group as the total capacity of the new projects outnumbers the portfolio we have built since the inception of IBO business segment.

As announced in February 2020, a joint venture company was established by the Group and CNTIC with nominal equity capital, held as to 50% by each party, for the investment in, development and operation of the three power projects. CNTIC is a large-scale state-owned enterprise and a wholly-owned subsidiary of China General Technology (Group) Holding Limited which is under direct supervision of the central government of China. It is an engineering, procurement and construction (EPC) contractor of the Group and the two groups have commenced business relationship since 2010. It is believed that the strategic collaboration between the Group and CNTIC has brought together different strengths from both parties for a synergistic and efficient project implementation and management. It also enables the Group to improve its development strategy and resource deployment plan for other potential markets and projects.

In the distributed power market in Indonesia, we are seeing a major switch to gas-fired power generation from liquid fuel fired power generation and a rapid growth of the captive market, and the Group is responding to the changes. In mid-2019, we secured a gas-fired power project of 18.7MW planned installed capacity with a right of first refusal to supply additional power by increasing our installed capacity up to 60MW for a contract term of 15 years ("**Dumai Project**"). The project is now expected to commence operation in the second half of 2020 instead of late 2019.

Seeing the growth in electricity demand and business opportunities in Sri Lanka, we set foot in the market in the first half of 2019 by successfully securing two diesel-fired power projects in the country through public tenders. The projects with a total installed capacity of 54.9MW commenced commercial operation in mid-2019.

The following table shows our distributed power 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	12	Indonesia
Jambi	56.4	60	Indonesia
Rengat	20.3	36	Indonesia
Muko	6.5	24	Indonesia
Subtotal	169.3		
Kyauk Phyu I	49.9	60	Myanmar
Kyauk Phyu II	49.9	60	Myanmar
Myingyan I[3]	149.8	60	Myanmar
Myingyan II	109.7	60	Myanmar
Yangon	4.7	48	Myanmar
Subtotal	364.0		
Iquitos[4]	79.8	240	Peru
Amazonas State[5]	70.3	60–180	Brazil
Subtotal	150.1		
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	752.7		

Notes:

(1) Installed capacity refers to the maximum power generating capacity of the distributed power 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 distributed power projects.

(3) It includes some installed capacity located in Magway, Myanmar.

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

(5) The Amazonas State Project consists of five power stations, three of which have commenced commercial operation in early 2020 and the remaining are expected to commence commercial operation in the second half of 2020. After the acquisition of the minority interests in the project company that owns and operates these power stations in 2019, the project company has become an indirectly wholly-owned subsidiary of the Company.

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

The following table shows the projects in our pipeline, for which we have either won a public tender or entered into a binding contract for operation or acquisition, and have commenced activities and committed resources in their planning and development, as of the date of this announcement:

Projects	**Planned installed capacity** *(MW)*	**Location**
Kyun Chaung	23.2	Myanmar
Thaketa	477.1(1)	Myanmar
Thanlyin	410.2(1)	Myanmar
Kyauk Phyu III	172.2(1)	Myanmar
Galle and Pallekele	38.8	Sir Lanka
Dumai	18.7(2)	Indonesia
Doncaster	20.3	United Kingdom
UK	132.0	United Kingdom
Total	1,292.5	

Notes:

(1) Projects were awarded to a consortium comprising the Group and CNTIC in 2019. As announced in February 2020, a 50–50 joint venture company was established for the investment in, development and operation of the projects.

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

In addition to the projects in our pipeline, as of the date of this announcement, we have projects with approximately 300MW planned installed capacity under advanced stage of development and negotiation in Sri Lanka, Myanmar, Indonesia and the United Kingdom.

In regard to our project in Ghana with an installed capacity of 56.2MW ("**Ghana Project**"), we have decided to decommission the project after discussion with the local government. The decommissioning is not expected to have any material impact on the financials and operation of the Group nor affect our overall business development strategy. Leveraging on the flexibility and mobility of our generation fleet and our strong business development capabilities, a disposal/redeployment plan has been developed to dispose of or relocate the fleet under the Ghana Project and other off-hired projects.

Tamar VPower Energy Fund I, L.P.

We and CITIC Pacific, one of China's largest conglomerates and our 8% shareholder, established Tamar VPower Energy Fund I, L.P. (the "**Fund**") in 2018. The Fund seeks for long-term capital appreciation through investments in companies or operating projects in the energy sector positioned to benefit from economic growth in the PRC, Central Asia, and Southeast Asia, and in the markets encompassed by the Belt and Road Initiative. As at 31 December 2019, the Group invested approximately HK$778.4 million in the Fund. According to the valuation assessment conducted by an independent third party, the fair value of our investment in the Fund was approximately HK$853.0 million, representing around 9.5% of the Group's total assets. Given so, the Group recorded a share of profit of HK$68.3 million for the year ended 31 December 2019.

Since its establishment, the Fund has invested in three companies, namely Orcan International Energy Technology Co., Ltd., Byrne Equipment Rental LLC 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*). The businesses of the above investee companies of the Fund are related to our core businesses and could support our business development, in particular, they will enhance our power solutions' energy efficiency, strengthen our research and development capability, broaden and upgrade our product range, and strengthen our self-manufacturing capacity. We believe these investments are synergistic to us and will continue to contribute return to the Fund and hence to us in the future.

Awards and Recognition

The Group received record breaking five awards at the Asian Power Awards 2019, namely Independent Power Producer — Myanmar; Power Utility of the Year — Myanmar; Fast-Track Power Plant of the Year — Gold; Innovative Power Technology of the Year — Myanmar; and Biomass Power Project of the Year — Silver. The accolades stand as a testimony to the Group's success in the distributed power generation market in Asia.

In addition, the Group won other awards and recognition for its unremitting efforts in promoting environmental, social and governance ("**ESG**") developments, including the ESG Leading Enterprise Award presented by *Bloomberg Businessweek/Chinese Edition* and Deloitte China, 3 Years+

* *For identification purpose only*

EcoPioneer of BOCHK Corporate Environmental Leadership Awards presented by Federation of Hong Kong Industries and BOC (Hong Kong) Limited; and Certificate of Excellence in The HKIRA 5th Investor Relations Awards by the Hong Kong Investor Relations Association.

OUTLOOK

Regardless of the signs of economic recovery and ease of trade disputes towards the end of 2019, the start of year 2020 was unsettled by the outbreak of novel coronavirus (COVID-19) which has brought a damaging impact to all walks of life across different countries. Measures taken by governments to contain the spread of the epidemic, including travel restrictions, operation suspension and quarantine arrangement, have posed huge challenges to many businesses around the world. Attributable to our strategic business footprint in different countries and the flexible management system we built over the years, our operation remains stable and healthy albeit minor operational disruptions with new project development largely on track. The resumption of work in the Group's assembly facilities in China after the normal Chinese New Year holidays was postponed by only three weeks due to the epidemic.

As market predicts, the governments are striving to meet global climate objectives, leading to an accelerating global energy transformation including increasing deployment of cleaner power solutions and moving away from centralized to distributed power generation. At the same time, a significant portion of the world's population remains energy-deprived which will inevitably result in an increase in demand for energy. Given the fast-track and flexible nature of distributed power which is capable of supporting structural power deficit in emerging markets and stabilizing the power grid in developed markets given the intermittent nature of renewable energy, we are seeing strong demand for distributed power solutions in countries in Southeast Asia, Latin America and Europe. We expect the total installed capacity of our project portfolio (including the projects under joint venture) to reach around 1,900MW by the end of 2020. As a result, we are confident to achieve a strong growth in the years ahead.

In the near term, we will continue to focus on materializing the projects in our pipeline, in particular, our newly awarded projects in Myanmar. We expect the four new projects in Myanmar will commence commercial operation in the second quarter of 2020. Believing that access to reliable and affordable electricity is a critical enabler of higher living standards, we are committed to completing these projects for the Myanmar people to meet their electricity demand in a timely manner. We continue to see Myanmar as a country with tremendous growth potential. Despite the global uncertainties, Myanmar's economy continues to show resilience with a projected GDP growth of 6.4% in 2019–2020 according to the World Bank. Power demand is expected to grow at a higher rate to support such economic growth. The Myanmar government has taken steps to meet rising power demand and in the 2019–2020 budget, some Myanmar Kyat ("**MMK**") 8 trillion (equivalent to approximately US$5.5billion) was earmarked for electricity and energy, up 28% from the financial year before.

As discussed at our 2019 interim results, we have a positive view on LNG-to-power market in Southeast Asia considering fuel availability, reliability and environmental impact, which has driven us to commit resources in expanding our business opportunities in this sector. We are pleased to work with our strategic partner CNTIC on our first LNG-to-power project to unlock our business opportunities in this area for the future. The global LNG demand is expected to double to 700 million tonnes by 2040 as it plays a growing role in shaping a lower-carbon energy system. Particularly, the growth in the operating and business model of small-scale LNG-to-power is ever stronger than before, utilizing different operational platforms in moving and receiving LNG for use of power generation. Asia is expected to remain a major region in the decades to come, with South and Southeast Asia generating over half of the increased demand.

In Sri Lanka, we announced in February 2020 that we secured new projects with planned installed capacity of 38.8MW. The projects are expected to commence commercial operation in the second quarter of 2020. Together with our existing 54.9MW operating projects, the Group's total installed capacity in the country will reach close to 100MW, evidencing the success of our marketing strategy in our existing IBO markets in gaining market share.

For our projects in the United Kingdom (Doncaster Project) and Indonesia (Dumai Project), we experienced slight delays in 2019, but we are expecting the delays would be mitigated, the overall impact would be marginal, and the projects would commence commercial operation within this year. We are positive on the long-term development of the flexible power industry in the United Kingdom. As the increasing use of renewable energy may disrupt the national grid easily due to its intermittent supply, we expect to see the strong demand for distributed power to alleviate the risk of instable supply and potential blackouts.

In view of our increasing number of fleets in operation globally, we have set up a new unit called Global Service Support ("**GSS**") for the support and upkeep of our fleets to ensure high operational efficiency and availability for continued use and/or sales. The GSS has the following support functions: (1) 24x7 specialized field technical service team; (2) integrated logistics center for efficient supply chain; (3) full-pledge service and re-manufacturing center to extend useful life of the assets; and (4) product and service academy center for staff training.

Looking forward, we will continue to formulate appropriate business strategy and structure for each market or project to ensure we could prioritize our resources for the best performance. We may consider synergistic acquisition opportunities, mutual beneficial partnership and project level collaboration.

The outbreak of COVID-19 at the beginning of 2020 has become a threat to all countries around the world. On 11 March, 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. We will closely monitor the development of the current global health emergency. By placing the health and safety of our staff and stakeholders as the top priority, we will ensure swift response to conduct epidemic prevention and control. Despite the economic uncertainty, the global power landscape is changing rapidly. To seize more opportunities and maintain corporate sustainability, we continue to strengthen our business development, optimize our operation and improve efficiency and cost management. At all times, we are committed to creating the greatest value and sharing the accomplishment with our shareholders, and caring for the well-being of the environment.

Financial Review

Revenue

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
SI	**1,756,502**	1,579,038
IBO	**1,037,534**	841,711
	2,794,036	2,420,749

In 2019, the Group recorded a revenue of approximately HK$2,794.0 million, representing an increase of 15.4% as compared with approximately HK$2,420.7 million of the previous year. The increase in revenue was mainly due to the growth of both business segments. Please refer to the paragraph headed "Business Review" for the increase in revenue.

Revenue by geographical locations

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

	Year ended 31 December			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong and Mainland China	**551,854**	**19.8**	461,733	19.1
Other Asian countries[1]	**1,002,476**	**35.9**	961,596	39.7
Other countries	**202,172**	**7.2**	155,709	6.4
Total	**1,756,502**	**62.9**	1,579,038	65.2

Note:

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

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			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Peru	**449,592**	**16.1**	333,374	13.8
Myanmar	**412,586**	**14.8**	256,763	10.6
Indonesia	**138,144**	**4.9**	172,622	7.1
Sri Lanka	**21,618**	**0.8**	—	—
Mainland China	**15,594**	**0.5**	13,232	0.6
Bangladesh	**—**	**—**	65,720	2.7
Total	**1,037,534**	**37.1**	841,711	34.8

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 power generation systems. 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 2019 and 2018, our cost of sales was HK$2,056.8 million and HK$1,714.0 million, respectively. The increase was due to the growth of both SI and IBO businesses, in particular, the higher depreciation charged on the power generation assets of the IBO projects in Indonesia.

Gross profit and gross profit margin

	Year ended 31 December			
	2019		2018	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**356,703**	**20.3**	334,656	21.2
IBO	**380,539**	**36.7**	372,086	44.2
Total	**737,242**	**26.4**	706,742	29.2

Gross profit of the Group was approximately HK$737.2 million, representing an increase of 4.3% as compared with approximately HK$706.7 million of the previous year. Gross profit margin for this year decreased to 26.4% from 29.2% for 2018 which was mainly attributable to the increase in pass-through fuel cost in IBO business and the relatively lower gross profit margin of the IBO projects in Indonesia.

Profit before tax

Profit before tax for the year ended 31 December 2019 was approximately HK$323.1 million, representing an increase of 39.9% as compared with HK$231.0 million of the previous year. The increase was mainly due to addition of IBO projects in Myanmar and Sri Lanka, increase in other income and gains and increase in share of profits of joint ventures which was partially offset by increase in finance costs as a result of increase in interest-bearing bank and other borrowings; and increase in administrative expenses.

Other income and gains

In 2019, other income and gains of the Group amounted to approximately HK$143.5 million, representing an increase of 257.0% as compared with approximately HK$40.2 million of the previous year. The increase was mainly attributable to a consultancy income recognised 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 2019, selling and distribution expenses of the Group increased by 20.2% from approximately HK$25.8 million in 2018 to HK$31.0 million. It was mainly attributable to the increase 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 2019, administrative expenses of the Group were approximately HK$339.0 million, an increase of 24.4% over the previous year of approximately HK$272.6 million. The increase was mainly due to the expenses incurred for the development of new projects (such as increase in headcounts and professional fees) and increase in research and development cost.

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 are denominated in Euro for purchases of equipment and engines, impairment of trade receivables, loss on disposal of items of property, plant and equipment and write-down of inventories to net realisable value.

In 2019, other expenses, net were approximately HK$5.2 million, which represented a decrease of 84.0% as compared with the previous year of approximately HK$32.5 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 lease liabilities and other borrowings. In 2019, finance costs was approximately HK$249.3 million, which represented an increase of 30.3% over the previous year of approximately HK$191.4 million. The increase was primarily due to the loan interest for the increased 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 2019, income tax expense was approximately HK$40.9 million, representing an increase of 35.9% over the previous year of approximately HK$30.1 million, and our effective tax rate was 12.7% and 13.0% for 2019 and 2018, respectively.

Profit Attributable to Owners and Earnings per Share

In 2019, profit attributable to owners of the Company was approximately HK$283.6 million, representing an increase of approximately HK$70.3 million or approximately 33.0% as compared with approximately HK$213.3 million of the previous year.

Basic earnings per share for the year ended 31 December 2019 were HK11.12 cents as compared with HK8.36 cents of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2019, total current assets to the Group amounted to HK$3,956.0 million (2018: HK$4,447.0 million). In terms of financial resources as at 31 December 2019, cash and cash equivalents of the Group were HK$772.4 million (2018: HK$541.4 million).

As at 31 December 2019, total bank and other borrowings and senior notes of the Group amounted to approximately HK$4,014.4 million (2018: HK$3,755.8 million), representing an increase of approximately 6.9% 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 31 December 2019, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars, Euro and United Kingdom Pound ("GBP") were approximately HK$3,656.7 million (2018: HK$3,284.0 million), HK$287.5 million (2018: HK$409.2 million), approximately HK$66.0 million (2018: HK$62.6 million), and approximately HK$4.2 million (2018: nil), respectively.

During the year, the Group had drawn a new unsecured US$200 million three-year term loan facility with a group of five 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 31 December 2019, the Group's current ratio was 1.1 (2018: 1.4). The Group's debt ratio, which is calculated as a percentage of total liabilities to total assets, was 68.1% (2018: 64.6%). 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 64.4% (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 108.4% (2018: 117.9%). 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 83.9% (2018: 91.0%).

Charge of Assets

As at 31 December 2019, the Group had charged certain property, plant and equipment with a net book value of approximately HK$59.8 million (31 December 2018: HK$565.8 million) and pledged deposits of HK$62.2 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 a total asset value of approximately HK$814.1 million (31 December 2018: HK$862.0 million) and restricted cash of HK$81.6 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 year ended 31 December 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

Contingent liabilities as at 31 December 2019 will be disclosed in the notes to the financial statements in the annual report.

Capital Expenditures

For the year ended 31 December 2019, the Group invested HK$1,487.8 million (2018: HK$1,012.1 million) in property, plant and equipment of which HK$1,483.8 million (2018: HK$998.3 million) mainly for IBO projects relate to distributed power stations located in Myanmar and Sri Lanka.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

EMPLOYEES

As at 31 December 2019, the Group had 466 employees (2018: 371). 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 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 our employees.

FINAL DIVIDEND

The Board of the Company recommends the payment of a final dividend of HK2.20 cents per share for the year ended 31 December 2019 (2018: HK0.48 cent) to shareholders whose names appear on the register of members of the Company on Wednesday, 8 July 2020 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 29 June 2020 (the "**2020 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the 2020 AGM, the register of members of the Company will be closed during the period from Tuesday, 23 June 2020 to Monday, 29 June 2020, 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 2020 AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 June 2020.

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, 6 July 2020 to Wednesday, 8 July 2020, both days inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the proposed final dividend, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 3 July 2020.

CORPORATE GOVERNANCE

During the year ended 31 December 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 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 2019.

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

During 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 senior management and the external auditors of the Company the accounting principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the review of the annual results of the Company for the year ended 31 December 2019.

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 2019 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 2019 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 2019 Annual Report will be despatched to shareholders of the Company and posted at the aforesaid websites in April 2020.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company is scheduled to be held on Monday, 29 June 2020. Notice of the 2020 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, 30 March 2020

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.