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 2022

HIGHLIGHTS

- Revenue decreased 11.4% to HK$1,772.0 million. Among which, revenue from SI business was HK$905.7 million and revenue from IBO business was HK$866.3 million, representing a decrease of 30.6% and an growth of 24.4% respectively.
- Gross profit slightly decreased 2.5% to HK$408.4 million while gross profit margin improved to 23.0%.
- EBITDA decreased 29.6% to HK$349.2 million.
- Profit attributable to the owners of the Company decreased 69.3% to HK$60.7 million.
- The decreases in EBITDA and profit attributable to owners of the Company were mainly due to the losses of the joint venture companies.

The board of directors (the "**Board**") of VPower Group International Holdings Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2022, together with comparative figures of the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
REVENUE	4	**1,772,030**	2,001,038
Cost of sales		**(1,363,597)**	(1,582,009)
Gross profit		**408,433**	419,029
Other income and gains	4	**6,615**	9,272
Selling and distribution expenses		**(8,226)**	(10,834)
Administrative expenses		**(165,122)**	(198,178)
Other expenses, net		**(31,724)**	(2,015)
Finance costs		**(109,642)**	(102,389)
Share of profits or losses from joint ventures		**(9,827)**	112,891
PROFIT BEFORE TAX	5	**90,507**	227,776
Income tax	6	**(16,121)**	(24,309)
PROFIT FOR THE PERIOD		**74,386**	203,467
Attributable to:			
Owners of the Company		**60,650**	198,017
Non-controlling interests		**13,736**	5,450
		74,386	203,467
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK2.25 cents**	HK7.53 cents
Diluted		**HK2.25 cents**	HK7.53 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**74,386**	203,467
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 period	**6,518**	(126)
Reclassification adjustments included in the consolidated statement of profit or loss	**1,460**	4,490
	7,978	4,364
Exchange differences on translation of foreign operations	**(13,588)**	8,190
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(5,610)**	12,554
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**68,776**	216,021
Attributable to:		
Owners of the Company	**55,040**	210,571
Non-controlling interests	**13,736**	5,450
	68,776	216,021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,472,943**	3,295,925
Right-of-use assets		**99,286**	116,611
Goodwill		**1,460**	81,489
Other intangible assets		**40,046**	89,317
Interests in joint ventures	*9*	**1,888,503**	1,746,121
Deposits and other receivables		**38,156**	40,542
Deferred tax assets		**2,541**	2,434
Total non-current assets		**4,542,935**	5,372,439
CURRENT ASSETS			
Inventories		**1,234,182**	1,262,964
Trade and bills receivables	*10*	**2,760,510**	2,677,289
Prepayments, deposits, other receivables and other assets		**504,491**	458,416
Derivative financial instruments		**6,607**	—
Tax recoverable		**974**	6,027
Restricted cash		**8,201**	71,098
Pledged deposits		**13,063**	38,725
Cash and cash equivalents		**359,926**	462,359
Total current assets		**4,887,954**	4,976,878
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,964,007**	2,118,265
Other payables and accruals		**326,436**	377,251
Contract liabilities		**163,150**	115,082
Derivative financial instruments		**5,731**	1,999
Senior notes		**—**	24,299
Interest-bearing bank and other borrowings		**2,008,954**	1,831,703
Lease liabilities		**14,498**	17,133
Tax payable		**14,501**	17,782
Provision for restoration		**5,072**	5,681
Total current liabilities		**4,502,349**	4,509,195
NET CURRENT ASSETS		**385,605**	467,683
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,928,540**	5,840,122

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Notes	**30 June 2022 (Unaudited)** *HK$'000*	31 December 2021 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**80,779**	148,863
Senior notes		**—**	721,223
Interest-bearing bank and other borrowings		**1,205,631**	1,274,791
Lease liabilities		**86,903**	100,574
Provision for restoration		**2,685**	20,689
Deferred tax liabilities		**11,861**	41,535
Total non-current liabilities		**1,387,859**	2,307,675
Net assets		**3,540,681**	3,532,447
EQUITY			
Equity attributable to owners of the Company			
Share capital		**270,169**	270,169
Reserves		**3,261,136**	3,205,296
		3,531,305	3,475,465
Non-controlling interests		**9,376**	56,982
Total equity		**3,540,681**	3,532,447

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 2022, 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 of, 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Properly, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 and operates distributed power generation stations to provide distributed power solutions.

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

Segment assets exclude deferred tax assets, 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.

For the six months ended 30 June 2022 (unaudited)

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**905,760**	**866,270**	**1,772,030**
Intersegment sales	**2,491**	**—**	**2,491**
	908,251	**866,270**	**1,774,521**
Reconciliation:			
Elimination of intersegment sales			**(2,491)**
Revenue			**1,772,030**
Segment results	**125,045**	**114,374**	**239,419**
Reconciliation:			
Elimination of intersegment results			**(169)**
Bank interest income			**1,328**
Corporate and unallocated expenses, net			**(42,357)**
Finance costs (other than interest on lease liabilities)			**(107,714)**
Profit before tax			**90,507**
Segment assets	**3,805,020**	**4,355,261**	**8,160,281**
Reconciliation:			
Corporate and unallocated assets			**1,270,608**
Total assets			**9,430,889**
Segment liabilities	**2,157,432**	**479,926**	**2,637,358**
Reconciliation:			
Corporate and unallocated liabilities			**3,252,850**
Total liabilities			**5,890,208**

For the six months ended 30 June 2021 (unaudited)

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,304,530	696,508	2,001,038
Intersegment sales	386,885	—	386,885
	1,691,415	696,508	2,387,923
Reconciliation:			
Elimination of intersegment sales			(386,885)
Revenue			2,001,038
Segment results	158,966	240,080	399,046
Reconciliation:			
Elimination of intersegment results			(8,161)
Bank interest income			1,157
Corporate and unallocated expenses, net			(61,877)
Finance costs			(102,389)
Profit before tax			227,776

Year ended 31 December 2021 (audited)

	SI *HK$'000*	IBO *HK$'000*	Total *HK$'000*
Segment assets	3,664,694	5,221,009	8,885,703
Reconciliation:			
Corporate and unallocated assets			1,463,614
Total assets			10,349,317
Segment liabilities	2,307,248	585,102	2,892,350
Reconciliation:			
Corporate and unallocated liabilities			3,924,520
Total liabilities			6,816,870

Geographical information

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**72,111**	498,915
Other Asian countries	**1,090,118**	1,047,786
Latin America	**597,738**	395,378
Other countries	**12,063**	58,959
	1,772,030	2,001,038

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

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

	As at	As at
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**2,017,337**	1,890,242
Other Asian countries	**1,965,943**	2,064,388
Latin America	**304,664**	1,149,010
Other countries	**250,328**	264,243
	4,538,272	5,367,883

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, NET

An analysis of revenue is as follows:

For the six months ended 30 June 2022 (unaudited)

Segments	**SI**	**IBO**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Total revenue from contracts with customers	**905,760**	**866,270**	**1,772,030**

For the six months ended 30 June 2021 (unaudited)

Segments	SI	IBO	Total
	HK$'000	*HK$'000*	*HK$'000*
Total revenue from contracts with customers	1,304,530	696,508	2,001,038

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,328**	1,157
Government grants*	**636**	1,423
Gain on disposal of items of property, plant and equipment, net	**380**	—
Foreign exchange difference, net	**—**	4,551
Others	**4,271**	2,141
	6,615	9,272

* 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 reporting period.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment*	**139,040**	155,874
Depreciation of right-of-use assets	**8,589**	8,859
Amortisation of intangible assets	**1,439**	1,439
Fair value loss on derivative financial instruments#	**5,162**	349
Foreign exchange difference, net	**23,401#**	(4,551)
Impairment of trade receivables, net#	**3,035**	—
Loss/(gain) on disposal of items of property, plant and equipment, net	**(380)**	1,666#
Equity-settled share-based payment expense	**800**	17,100

* The cost of sales for the period included depreciation charges of HK$98,980,000 (six months ended 30 June 2021: HK$105,715,000).

\# 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 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rate regime. The first HK$2,000,000 (six months ended 30 June 2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 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.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**7,238**	8,066
Current — Elsewhere		
Charge for the period	**10,280**	15,756
Overprovision in prior periods	**(749)**	(1,786)
Deferred	**(648)**	2,273
Total tax charge for the period	**16,121**	24,309

7. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the reporting period:		
Final dividend for the year ended 31 December 2021:		
Nil (year ended 31 December 2020: HK3.45 cents (with a scrip dividend alternative) per ordinary share)	**—**	91,319
Dividend declared after the end of the reporting period:		
Interim dividend for the six months ended 30 June 2022:		
Nil (six months ended 30 June 2021: HK0.75 cent (with a scrip dividend alternative) per ordinary share)	**—**	20,185

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022. The interim dividend of HK0.75 cent (with a scrip dividend alternative) per ordinary share in respect of the six months ended 30 June 2021 was approved by the Board on 27 August 2021.

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2021. The final dividend of HK3.45 cents (with a scrip dividend alternative) per ordinary share in respect of year ended 31 December 2020 was approved by the Company's shareholders at the annual general meeting held on 11 June 2021.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$60,650,000 (six months ended 30 June 2021: HK$198,017,000) and the weighted average number of ordinary shares of 2,692,425,000 (six months ended 30 June 2021: 2,630,888,000 (restated)) in issue during the period, as adjusted to exclude the shares held under the share award scheme.

The weighted average number of ordinary shares used in the calculation for the six months ended 30 June 2022 and 2021 have been adjusted to reflect the bonus element in respect of the scrip dividends distributed during the year ended 31 December 2021.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2022 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2021 is based on the profit for the period attributable to ordinary equity holders of the Company of HK$198,017,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,630,888,000 (restated) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 71,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

9. INTERESTS IN JOINT VENTURES

In June 2022, the shareholders' agreement of Genrent del Peru S.A.C. ("**Genrent**"), a 51%-owned subsidiary of the Company which is engaged in the provision of distributed power solution in Peru, was amended such that (i) the composition of the board of directors of Genrent is shared equally between the Group and shareholders holding an aggregate of 49% capital stock of Genrent; and (ii) the shareholders' resolutions of Genrent which requires consent of shareholders holding not less than two-thirds of the capital stock of Genrent. After the amendment of the shareholders' agreement, the Group ceased to control Genrent and Genrent became a joint venture of the Group. Accordingly, the Group derecognised the assets and liabilities of Genrent and recognised the 51% equity interests in Genrent as interests in a joint venture.

10. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) ***HK$'000***	31 December 2021 (Audited) *HK$'000*
Trade receivables	**2,801,892**	2,715,120
Bills receivables	**1,350**	1,869
Impairment	**(42,732)**	(39,700)
	2,760,510	2,677,289

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

	30 June 2022 (Unaudited) ***HK$'000***	31 December 2021 (Audited) *HK$'000*
Within 90 days	**746,773**	2,152,870
91 to 180 days	**7,646**	84,336
181 to 360 days	**1,737,928**	214,339
Over 360 days	**268,163**	225,744
	2,760,510	2,677,289

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:

	30 June 2022 (Unaudited) ***HK$'000***	31 December 2021 (Audited) *HK$'000*
Within 90 days	**151,992**	1,893,810
91 to 180 days	**228,954**	96,251
181 to 360 days	**1,554,390**	112,710
Over 360 days	**28,671**	15,494
	1,964,007	2,118,265

The trade payables are non-interest-bearing and are normally settled on terms with credit period ranging from 30 to 360 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

The global political turmoil coincided with the continuing COVID-19 pandemic impeded the economic recovery in the first half of 2022. The World Bank also raised concerns about global economic prospects earlier this year, with particular emphasis on the heightened geopolitical conflicts which stoked the prices of several commodities and the expectation for risen full year inflation rates in the vast majority of countries.

Meanwhile, energy crisis expanded around the world. Shortages in natural gas supply and the persistent extreme weather caused a surge in fuel prices, thus a substantial rise in electricity tariff. In the face of potential power outages, governments of certain European countries and emerging markets struggled to adopt emergency measures including reactivating coal-fired power projects and implementing power rationing.

Energy transition still prevailed globally despite acute energy shocks. Aiming at enhancing energy security and combating long-term climate crisis, governments and investment institutions remained supportive to the development of green infrastructures with global investments in renewable energy totalling US$226 billion in the first half of this year. Solar, offshore wind, energy storage and hydrogen projects and other decentralised energy technologies were popular among all. The overall electricity sector also regained growth momentum and a variety of tenders had been introduced.

Business Review

System Integration ("SI") Business

For the six months ended 30 June 2022, the Group recorded approximately HK$905.7 million of revenue from SI business, contributed by customers from various sectors including marine, data centres, high-end commercial buildings and industrial zones. Most of the orders were to satisfy the demand for flexible power, reserve capacity and rental markets.

The decrease in segment revenue of 30.6% as compared to HK$1,304.5 million of the corresponding period in 2021 was largely due to the fact that no substantial revenue from the provision of construction services was recorded during the reporting period. The revenue of providing such services is of low gross profit margin, and therefore the overall segment gross profit margin improved from 13.6% to 16.9% for the first half of the year.

In view of the increasing demand for low carbon energy solutions from governments and private enterprises, we actively expanded our customer base of biogas and waste heat-to-power systems and commenced research and development of new products during the reporting period, laying the foundation of our SI business development for the next few years.

Investment, Building and Operating ("IBO") Business

While the energy market as a whole experienced elevated costs and supply chain bottlenecks in the first half of the year, the IBO business of the Group did not encounter material adverse impacts. For the six months ended 30 June 2022, the segment revenue increased 24.4% to approximately HK$866.3 million as compared to HK$696.5 million of the corresponding period of last year, which was mainly attributable to the increase in revenue concerning the amounts of fuel costs we expensed for the off-takers. In general cases, the off-takers of our power projects supply our operations with fuel or otherwise bear the ultimate fuel costs. As a result, we did not suffer from the rising fuel costs globally and managed to maintain our gross profit at a similar level compared to the corresponding period of last year.

To further increase the geographical diversification of our IBO business so as to mitigate the impacts from the structural change of a single market and geopolitical tensions, we decided not to renew certain projects of short contract terms in Southeast Asia, assets of which will be redeployed to the projects we won through tenders after the reporting period and anticipated new projects across different regions. The customers of these new projects include not only utilities but also oil and gas and industrial companies.

Significant investments

(i) *CNTIC VPower Group Holdings Limited ("**CNTIC VPower**")*

CNTIC VPower owns and operates three power projects, namely the Thaketa, Thanlyin and Kyauk Phyu III projects (collectively the "**Myanmar Joint Venture Projects**"), in Myanmar.

Following the local political and social incidents in early 2021, CNTIC VPower has been confronted with multiple challenges. For the six months ended 30 June 2022, CNTIC VPower recorded a loss from its operations as a consequence of less-than-expected generation of and income from the Myanmar Joint Venture Projects. The Group therefore recorded a share of loss of approximately HK$6.8 million. As at 30 June 2022, our total investment cost in CNTIC VPower was approximately HK$700.4 million; its carrying value was approximately HK$906.3 million, representing approximately 9.6% of the Group's total assets.

(ii) *Tamar VPower Energy Fund I, L.P. (the "**Fund**")*

We joined hands with CITIC Pacific Limited to explore the opportunities in the energy sector in countries along the Belt and Road Initiative through the Fund in 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. For the six months ended 30 June 2022, the Group recorded a share of loss of approximately HK$3.0 million from the Fund. As at 30 June 2022, our total investment cost in the Fund was approximately HK$809.8 million; and its carrying value was approximately HK$830.0 million, representing around 8.8% of the Group's total assets.

Power Project Portfolio

The following table shows the power projects of the Group[1] as at 30 June 2022:

	Our equity interest	Gross capacity (MW)[2]	Contract length (Month)[3]
Indonesia			
Teluk Lembu I	100%	20.3	12
Teluk Lembu II	100%	65.8	12
Rengat	100%	20.3	36
Muko	100%	6.5	24
Dumai[4]	100%	18.7	180
Myanmar			
Myingyan I[5]	100%	149.8	6
Myingyan II	100%	109.7	60
Yangon	100%	4.7	48
Kyun Chaung	100%	23.2	24
Brazil			
Amazonas State	100%	70.3	60–180
China			
Shandong	100%	14.4	180
United Kingdom			
Doncaster	100%	20.3	180
Other projects	100%	132.0	180
Joint venture projects			
Thaketa, Myanmar[1]	50%	477.1	60
Thanlyin, Myanmar[1]	50%	410.2	60
Kyauk Phyu III, Myanmar	50%	172.2	60
Iquitos, Peru[6]	51%	79.8	240
Total		1,795.3	

Notes:

(1) It includes the capacity of projects in operation, in trial operation, under contract renewal and under construction. Two of the joint venture projects have been temporarily suspended for power generation.

(2) Gross capacity refers to the maximum power generating capacity of the distributed power station based on an aggregate capacity of power generation systems.

(3) Contract length refers to the term of the contract in respect of the distributed power projects.

(4) 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.

(5) It includes the installed capacity of a distributed power station located in Magway, Myanmar.

(6) It has been reclassified as a joint venture project after the deconsolidation of the project company.

Outlook

In the second half of 2022, spillovers from the prolonged geopolitical tensions and intensifying worldwide energy crisis have continued to bring uncertainties to global economic recovery. Soaring fossil fuel prices, concerns over energy security and threats to humankind from climate change accentuate the urgency for the acceleration of energy transition. Looking ahead, we will continue to uphold our commitment to energy transition, and provide the society with more safe, efficient and affordable energy by leveraging our resilience and flexibility and also the comparative advantages of decentralised energy.

Against the backdrop of dampened macroeconomic environment, it is our key short to medium-term strategy to establish a project portfolio with geographical diversity in order to balance the opportunities and risks in different markets globally. We aim to increase the overall gen-set utilisation and electricity generation through asset redeployment, and gradually push forward the development of new projects after overcoming the supply chain disruptions. At the same time, we will continue to enhance the management effectiveness and efficiency through digitalisation and organisational restructuring, and also to further strengthen cost control.

Energy transition is a global trend. Our gen-sets, having advantages including "plug and play", high mobility and safe operation, are not only able to supply stable power independently, but also function well in combination with renewables to form a green solution of high efficiency and stability. We will dedicatedly promote the application of these integrated energy solutions and encourage our customers to decarbonise their business. On the other hand, we will continue to materialise the plan to install solar panels in our current or new projects in an effort to reduce our overall carbon emissions.

The global installed capacity of renewables such as solar and wind energy grows annually, which exacerbates the volatility of power generation. In addition to the use of our engine-based power solutions for peak-shaving, the application of energy storage systems also serves to improve power supply stability. Energy storage can be applied along the entire electricity value chain from generation, transmission and distribution, to consumption. We have developed our own energy storage systems in response to the customers' demand for self-consumption, electricity bill management and making profits from the peak-valley tariff difference.

To further echo with the global target of carbon neutrality and seize new business opportunities, we are actively developing fuel flexible gas gen-sets to operate on a blend of hydrogen and natural gas, with the target to introduce a solution for 100% hydrogen power generation in 2025 based on our existing 25% blend solution. Hydrogen, as a zero-emission fuel, is considered as a key element of energy transition given its potential to divert human reliance from traditional fossil fuels and compensate for the inadequacies of seasonal and intermittent renewables. Along with the increasing policy support from different countries and the emergence of more advanced hydrogen production at scalable levels, there is a huge growth potential for hydrogen generation with a total addressable market size of US$250 billion by the end of this decade as estimated in a research report.

To conclude, we see more opportunities in favour of decentralised energy amidst the disastrous energy crisis and imminent energy transition. For the purpose of effectively capturing these opportunities and achieving sustainable development, we will continue to reinforce our group-wide risk management, and rigorously review the potential investments as well as the existing project portfolio. We also strive to conquer the challenges posed by the COVID-19 pandemic to protect the wellbeing of our people and stakeholders, and ensure uninterrupted power supply to our customers with smooth operations.

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 (including fuel cost the Group expensed for its off-takers), as well as the contract capacity we make available to the off-takers.

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
SI	**905,760**	1,304,530
IBO	**866,270**	696,508
Total	**1,772,030**	2,001,038

In the six months ended 30 June 2022, the Group recorded a revenue of approximately HK$1,772.0 million, representing a decrease of 11.4% as compared with approximately HK$2,001.0 million of the corresponding period in 2021. The decrease in revenue was due to the reduced revenue from SI business segment. Please refer to the paragraph headed "Business Review".

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			
	2022		2021	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Hong Kong and Mainland China	**56,178**	**3.2**	482,874	24.1
Other Asian countries[1]	**847,945**	**47.8**	762,697	38.1
Other countries	**1,637**	**0.1**	58,959	3.0
Total	**905,760**	**51.1**	1,304,530	65.2

Note:

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

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			
	2022		2021	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Brazil	**314,322**	**17.8**	165,462	8.3
Peru	**283,416**	**16.0**	229,916	11.5
Myanmar	**209,615**	**11.8**	246,460	12.3
Indonesia	**32,558**	**1.8**	32,200	1.6
Mainland China	**15,933**	**0.9**	16,041	0.8
United Kingdom	**10,426**	**0.6**	—	—
Sri Lanka	**—**	**—**	6,429	0.3
Total	**866,270**	**48.9**	696,508	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 and depreciation. We use engines, radiators, alternators, other parts and ancillary equipment to produce gen-sets and power generation systems.

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$1,363.6 million for the six months ended 30 June 2022, representing a decrease of HK$218.4 million as compared with approximately HK$1,582.0 million of the corresponding period in 2021.

Gross profit and gross profit margin

	Six months ended 30 June			
	2022		2021	
	HK$'000	***gross profit margin %***	*HK$'000*	*gross profit margin %*
SI	**153,435**	**16.9**	176,878	13.6
IBO	**254,998**	**29.4**	242,151	34.8
Total	**408,433**	**23.0**	419,029	20.9

Gross profit of the Group was approximately HK$408.4 million for the six months ended 30 June 2022, representing a slight decrease of 2.5% as compared with approximately HK$419.0 million of the corresponding period in 2021.

Gross profit margin for the six months ended 30 June 2022 increased to 23.0% from 20.9% of the corresponding period in 2021 which was mainly attributable to the significant decrease in construction services revenue in SI business which has a low gross profit margin.

Profit before tax

Profit before tax for the six months ended 30 June 2022 was approximately HK$90.5 million, representing a decrease of 60.3% as compared with approximately HK$227.8 million of the corresponding period in 2021. The decrease was mainly due to the losses of the joint venture companies which contributed share of profits of approximately of HK$112.9 million to the Group in the corresponding period in 2021.

Other income and gains

In the six months ended 30 June 2022, other income and gains of the Group amounted to approximately HK$6.6 million, representing a decrease of 29.0% as compared with approximately HK$9.3 million, comprising foreign exchange gain of HK$4.6 million, of the corresponding period in 2021. The decrease was mainly attributable to no foreign exchange gain recognised during the six months ended 30 June 2022.

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 24.1% from approximately HK$10.8 million for the six months ended 30 June 2021 to HK$8.2 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in transportation expenses.

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 and related promotion expenses and headquarter expenses.

In the six months ended 30 June 2022, administrative expenses of the Group were approximately HK$165.1 million, representing a decrease of 16.7% as compared with that of HK$198.2 million in the corresponding period of 2021. The decrease was mainly due to decrease in staff cost and depreciation charge.

Other expenses, net

Other expenses, net of the Group mainly consist of foreign exchange loss, impairment of trade receivables and loss on disposal of items of property, plant and equipment.

In the six months ended 30 June 2022, other expenses, net were approximately HK$31.7 million, which represented an increase of 1,485.0% as compared with that of HK$2.0 million in the corresponding period of 2021. The increase was mainly attributable to the increase in foreign exchange loss emerged from the operation in Myanmar.

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 the six months ended 30 June 2022, finance costs were approximately HK$109.6 million, which represented an increase of 7.0% as compared with that of approximately HK$102.4 million in the corresponding period of 2021. The increase was primarily due to the increase in average borrowing interest rate resulted from higher benchmark interest rates.

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 2022, income tax expense was approximately HK$16.1 million, representing a decrease of 33.7% as compared with that of approximately HK$24.3 million in the corresponding period of 2021, and our effective tax rate was 17.8% and 10.7% for the six months ended 30 June 2022 and 2021, respectively.

Profit Attributable to Owners and Earnings per Share

In the six months ended 30 June 2022, profit attributable to owners of the Company was approximately HK$60.7 million, representing a decrease of approximately HK$137.3 million or approximately 69.3% as compared with that of approximately HK$198.0 million in the corresponding period of 2021.

Basic earnings per share for the six months ended 30 June 2022 were HK2.25 cents as compared with that of HK7.53 cents in the corresponding period of 2021.

Liquidity, Financial and Capital Resources

As at 30 June 2022, total current assets of the Group amounted to approximately HK$4,888.0 million (31 December 2021: HK$4,976.9 million). In terms of financial resources as at 30 June 2022, cash and cash equivalents of the Group were approximately HK$359.9 million (31 December 2021: HK$462.4 million).

As at 30 June 2022, total bank and other borrowings and senior notes of the Group amounted to approximately HK$3,214.6 million (31 December 2021: HK$3,852.0 million), representing a decrease of approximately 16.5% as compared to that as at 31 December 2021. The Group's bank and other borrowings include short term loans with one-year maturity and term loans with maturity within three years. As at 30 June 2022, the Group's bank and other borrowings and senior notes denominated in United States dollars ("**USD**"), Hong Kong dollars, Brazilian Real ("**BRL**"), Euro, Peruvian Sol ("**PEN**"), Great British Pound ("**GBP**") and Renminbi ("**RMB**") were approximately HK$2,806.5

million (31 December 2021: HK$3,619.2 million), approximately HK$201.6 million (31 December 2021: HK$145.7 million), approximately HK$153.1 million (31 December 2021: HK$48.3 million), approximately HK$30.4 million (31 December 2021: HK$9.8 million), approximately HK$9.2 million (31 December 2021: HK$13.1 million), approximately HK$8.6 million (31 December 2021: HK$9.4 million) and approximately HK$5.2 million (31 December 2021: HK$6.5 million), respectively.

During the six months ended 30 June 2022, the Group increased the final size of a sustainability-linked syndicated term loan by HK$140 million to US$205 million. The newly added facility had been drawn to refinance banks loans maturing in 2022 and 2023.

The decrease in total bank and other borrowings and senior notes as well as cash and cash equivalents were mainly due to the deconsolidation of Genrent as a result of reclassification as interests in joint ventures in the condensed consolidated statement of financial position of the Group as at 30 June 2022.

As at 30 June 2022, the Group's current ratio was 1.1 (31 December 2021: 1.1). The Group's liabilities to assets ratio was 62.5% (31 December 2021: 65.9%). The Group's net gearing ratio was approximately 80.0% (31 December 2021: 92.8%).

Charge of Assets

As at 30 June 2022, certain of the Group's property, plant and equipment with a net book value of approximately HK$28.9 million and pledged deposit of HK$13.1 million were charged for securing the Group's interest-bearing bank and other borrowings and the equity interest of the Group in Genrent was charged for securing Genrent's senior notes. As at 31 December 2021, (i) certain of the Group's property, plant and equipment with a net book value of approximately HK$763.3 million; (ii) the equity interest of the Group in Genrent; (iii) restricted cash of HK$61.2 million; and (iv) pledged deposit of HK$38.7 million were charged for securing the Group's senior notes and interest-bearing bank and other borrowings.

Exposure on Foreign Exchange Fluctuations

The Group's revenue and payments are mainly in USD, Euro, BRL, Indonesian Rupiah ("**IDR**"), RMB, Myanmar Kyat ("**MMK**"), PEN and 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, BRL, IDR, RMB, MMK, PEN and GBP. A majority of the Group's purchases are either in Euro or USD. During the six months ended 30 June 2022, the Group entered into currency forward contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely review 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 reduce the exposure of currency risks.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

Capital Expenditures

For the six months ended 30 June 2022, the Group invested approximately HK$16.1 million (31 December 2021: HK$107.3 million) in property, plant and equipment which were for IBO projects related to distributed power stations located in the United Kingdom and Brazil (31 December 2021: HK$106.1 million).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the six months period ended 30 June 2022.

EMPLOYEES

As at 30 June 2022, the Group had 510 employees (31 December 2021: 580). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus in cash, and through share option schemes and a share award scheme, in the form of shares, to motivate valued employees. The Group provides 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 has resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: HK0.75 cent per share).

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has complied with the applicable code provisions of the Corporate Governance 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 C.2.1 in Part 2 of the Corporate Governance Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam Yee Chun ("**Mr. Lam**") is currently the Executive Chairman of the Company and a Co-Chief Executive Officer of the Group. In view of the profound knowledge and experience of Mr. Lam in the operation and business of the Group and in the industry, the Board is of the view that it is appropriate and in the best interest of the Company to vest the roles of the Executive Chairman and a Co-Chief Executive Officer in Mr. Lam for the time being to ensure effective and efficient execution of the Group's strategies and the management's decisions. Besides, the existing composition of the management team and Mr. Lee Chong Man Jason's role as the other Co-Chief Executive Officer enables the Group to achieve a balance of power and authority for Mr. Lam taking up the dual roles in the Group. The Company will review the structures of the Board and the management team as well as all relevant arrangements and measures from time to time to ensure that effective management and internal control systems are in place.

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**") 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 set out in the Model Code regarding securities transactions by the directors of the Company during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, 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, among other things, the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters and the unaudited interim financial statements of the Group for the six months ended 30 June 2022.

PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT

This results 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 2022 Interim Report will be despatched to shareholders of the Company and available on the aforesaid websites in September 2022.

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.

By Order of the Board
VPower Group International Holdings Limited
Lam Yee Chun
Executive Chairman and Co-Chief Executive Officer

Hong Kong, 25 August 2022

As at the date hereof, the Board comprises Mr. Lam Yee Chun, Mr. Lee Chong Man Jason, 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.