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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 2021

KEY HIGHLIGHTS

- Revenue rose 50.4% to HK\$5,094.1 million. Among which, revenue from SI business was HK\$3,665.9 million and revenue from IBO business was HK\$1,428.2 million, representing an increase of 68.9% and 17.3% respectively.
- Gross profit maintained at approximately HK\$812.5 million.
- EBITDA decreased 42.9% to HK\$646.4 million.
- Profit attributable to the owners of the Company decreased 91.1% to HK\$45.7 million, which was mainly attributable to a significant decrease in other income and gains; and a significant decrease in share of profits of joint ventures.

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 2021, together with comparative figures of the last financial year in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	5	5,094,079	3,386,936
Cost of sales		<u>(4,281,566)</u>	<u>(2,575,810)</u>
Gross profit		812,513	811,126
Other income and gains, net	5	12,019	175,461
Selling and distribution expenses		(29,023)	(33,131)
Administrative expenses		(408,643)	(344,813)
Other expenses, net		(79,196)	(69,308)
Finance costs		(210,393)	(220,544)
Share of profits and losses of joint ventures		<u>9,400</u>	<u>263,574</u>
PROFIT BEFORE TAX	6	106,677	582,365
Income tax expense	7	<u>(49,938)</u>	<u>(56,932)</u>
PROFIT FOR THE YEAR		<u>56,739</u>	<u>525,433</u>
Attributable to:			
Owners of the Company		45,689	516,294
Non-controlling interests		<u>11,050</u>	<u>9,139</u>
		<u>56,739</u>	<u>525,433</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		(Restated)
Basic		<u>HK1.72 cents</u>	<u>HK19.96 cents</u>
Diluted		<u>HK1.72 cents</u>	<u>HK19.96 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	56,739	525,433
OTHER COMPREHENSIVE 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	(564)	(15,633)
Reclassification adjustments included in the consolidated statement of profit or loss	<u>8,389</u>	<u>6,631</u>
	7,825	(9,002)
Exchange differences on translation of foreign operations	<u>(14,682)</u>	<u>(68,073)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(6,857)</u>	<u>(77,075)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>49,882</u></u>	<u><u>448,358</u></u>
Attributable to:		
Owners of the Company	38,832	439,219
Non-controlling interests	<u>11,050</u>	<u>9,139</u>
	<u><u>49,882</u></u>	<u><u>448,358</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,295,925	3,719,950
Investment property		—	23,700
Right-of-use assets		116,611	61,602
Goodwill		81,489	81,489
Other intangible assets		89,317	92,362
Interests in joint ventures		1,746,121	1,754,748
Deposits and other receivables		40,542	44,410
Deferred tax assets		2,434	4,750
		<hr/>	<hr/>
Total non-current assets		5,372,439	5,783,011
CURRENT ASSETS			
Inventories		1,262,964	1,179,771
Trade and bills receivables	<i>10</i>	2,677,289	618,641
Prepayments, deposits, other receivables and other assets		458,416	462,671
Tax recoverable		6,027	5,065
Restricted cash		71,098	66,594
Pledged deposits		38,725	37,126
Cash and cash equivalents		462,359	978,182
		<hr/>	<hr/>
Total current assets		4,976,878	3,348,050
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	2,118,265	802,006
Other payables and accruals		377,251	324,122
Contract liabilities		115,082	875,322
Derivative financial instruments		1,999	9,196
Senior notes		24,299	21,978
Interest-bearing bank and other borrowings		1,831,703	1,138,282
Lease liabilities		17,133	7,657
Tax payable		17,782	10,820
Provision for restoration		5,681	6,123
		<hr/>	<hr/>
Total current liabilities		4,509,195	3,195,506
NET CURRENT ASSETS		<hr/> 467,683	<hr/> 152,544
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 5,840,122	<hr/> 5,935,555

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT LIABILITIES			
Trade payables	<i>11</i>	—	42,733
Other payables		148,863	281,123
Senior notes		721,223	745,523
Interest-bearing bank and other borrowings		1,274,791	1,283,141
Lease liabilities		100,574	53,246
Provision for restoration		20,689	20,187
Deferred tax liabilities		41,535	28,114
		<u>2,307,675</u>	<u>2,454,067</u>
 Total non-current liabilities		 <u>2,307,675</u>	 <u>2,454,067</u>
 Net assets		 <u>3,532,447</u>	 <u>3,481,488</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	270,169	264,692
Reserves		3,205,296	3,170,864
		<u>3,475,465</u>	<u>3,435,556</u>
Non-controlling interests		56,982	45,932
		<u>3,532,447</u>	<u>3,481,488</u>
 Total equity		 <u>3,532,447</u>	 <u>3,481,488</u>

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, Office 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. The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had interest rate swaps whereby the Group pays interest at a fixed rate ranging from 1.04% to 1.57% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swaps, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swaps are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 derivative financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, amount due from a related company, 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 2021

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	3,665,925	1,428,154	5,094,079
Intersegment sales	<u>1,175,730</u>	<u>—</u>	<u>1,175,730</u>
	4,841,655	1,428,154	6,269,809
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,175,730)</u>
Revenue			<u><u>5,094,079</u></u>
Segment results	328,312	87,214	415,526
<i>Reconciliation:</i>			
Elimination of intersegment results			(8,719)
Bank interest income			2,189
Corporate and unallocated expenses, net			(95,904)
Finance costs (other than interest on lease liabilities)			<u>(206,415)</u>
Profit before tax			<u><u>106,677</u></u>
Segment assets	3,664,694	5,221,009	8,885,703
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,463,614</u>
Total assets			<u><u>10,349,317</u></u>
Segment liabilities	2,307,248	585,102	2,892,350
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>3,924,520</u>
Total liabilities			<u><u>6,816,870</u></u>

Year ended 31 December 2020

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	2,169,865	1,217,071	3,386,936
Intersegment sales	<u>185,117</u>	<u>—</u>	<u>185,117</u>
	2,354,982	1,217,071	3,572,053
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(185,117)</u>
Revenue			<u><u>3,386,936</u></u>
Segment results	295,701	577,701	873,402
<i>Reconciliation:</i>			
Elimination of intersegment results			(15,106)
Bank interest income			3,975
Corporate and unallocated expenses, net			(59,362)
Finance costs			<u>(220,544)</u>
Profit before tax			<u><u>582,365</u></u>
Segment assets	1,414,846	5,735,199	7,150,045
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,981,016</u>
Total assets			<u><u>9,131,061</u></u>
Segment liabilities	1,647,304	752,548	2,399,852
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>3,249,721</u>
Total liabilities			<u><u>5,649,573</u></u>

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong, Macau and Mainland China	1,510,317	996,044
Other Asian countries	2,518,218	1,585,191
Latin America	909,048	606,710
Other countries	156,496	198,991
	<u>5,094,079</u>	<u>3,386,936</u>

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

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong and Mainland China	1,890,242	1,881,427
Other Asian countries	2,064,388	2,463,802
Latin America	1,149,010	1,226,817
Other countries	264,243	205,460
	<u>5,367,883</u>	<u>5,777,506</u>

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:

	2021 HK\$'000	2020 HK\$'000
Customer A [^]	1,434,703	813,887
Customer B [^]	1,171,289	N/A*
Customer C [^]	513,976	N/A*
Customer D [^]	N/A*	631,886
Customer E [#]	N/A*	456,656
Customer F [#]	N/A*	452,319
	<u>3,119,968</u>	<u>2,354,748</u>

* Less than 10% of revenue

[^] Reported in the SI segment

[#] Reported in the IBO segment

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

For the year ended 31 December 2021

Segments	SI <i>HK\$'000</i>	IBO <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue from contracts with customers	<u>3,665,925</u>	<u>1,428,154</u>	<u>5,094,079</u>

For the year ended 31 December 2020

Segments	SI <i>HK\$'000</i>	IBO <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue from contracts with customers	<u>2,169,865</u>	<u>1,217,071</u>	<u>3,386,936</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	2,189	3,975
Consultancy income	—	153,640
Government grants*	1,678	2,074
Gain on disposal of items of property, plant and equipment, net	2,120	—
Gain on disposal of an investment property	2,780	—
Gain on disposal of assets held for sale	—	13,627
Others	<u>3,252</u>	<u>2,145</u>
	<u>12,019</u>	<u>175,461</u>

* A subsidiary was qualified as a high-and-new technology enterprise in Mainland China and it received various related government grants. There are 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):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment*	308,264	309,943
Depreciation of right-of-use assets	18,208	16,123
Amortisation of intangible assets	2,878	2,879
Fair value loss on derivative financial instruments [#]	658	589
Foreign exchange differences, net [#]	35,065	28,115
Impairment of trade receivables, net [#]	30,618	4,867
Write-down of inventories to net realisable value [#]	4,481	10,939
Reversal of write-down of inventories to net realisable value*	(1,602)	—
Loss/(gain) on disposal of items of property, plant and equipment, net	(2,120)	4,425 [#]
Equity-settled share-based payment expense	<u>17,100</u>	<u>11,897</u>

* The cost of sales for the year included depreciation charges of HK\$216,782,000 (2020: HK\$252,823,000) and reversal of write-down of inventories to net realisable value of HK\$1,602,000 (2020: Nil).

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	16,838	7,510
Overprovision in prior years	(1,288)	(4,124)
Current — Elsewhere		
Charge for the year	17,614	36,295
Underprovision/(overprovision) in prior years	1,121	(3,018)
Deferred	<u>15,653</u>	<u>20,269</u>
Total tax charge for the year	<u>49,938</u>	<u>56,932</u>

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2020		
— HK3.45 cents (with a scrip dividend alternative) (2019: HK2.20 cents) per ordinary share	91,319	56,391
Less: Dividend for shares held under the share award scheme	<u>(340)</u>	<u>(173)</u>
	<u>90,979</u>	<u>56,218</u>
Interim dividend for the six months ended 30 June 2021		
— HK0.75 cent (with a scrip dividend alternative) (2020: HK1.51 cents) per ordinary share	20,185	39,967
Less: Dividend for shares held under the share award scheme	<u>(71)</u>	<u>(210)</u>
	<u>20,114</u>	<u>39,757</u>
	<u>111,093</u>	<u>95,975</u>
Final dividend proposed after the end of the reporting period:		
Proposed final dividend for the year ended 31 December 2021		
— Nil (2020: HK3.45 cents) per ordinary share	<u>—</u>	<u>91,319</u>

The Board of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

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\$45,689,000 (2020: HK\$516,294,000), and the weighted average number of ordinary shares of 2,655,191,000 (2020: 2,586,091,000 (restated)) in issue during the year, 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 years ended 31 December 2021 and 2020 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 year ended 31 December 2021 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 year ended 31 December 2020 is based on the profit for that year attributable to ordinary equity holders of the Company of HK\$516,294,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 2,586,091,000 (restated) in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,058,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

10. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables	2,716,989	627,660
Impairment	<u>(39,700)</u>	<u>(9,019)</u>
	<u>2,677,289</u>	<u>618,641</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	2,152,870	290,392
91 to 180 days	84,336	106,205
181 to 360 days	214,339	23,389
Over 360 days	<u>225,744</u>	<u>198,655</u>
	<u>2,677,289</u>	<u>618,641</u>

11. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables	2,118,265	844,739
Portion classified as current liabilities	<u>(2,118,265)</u>	<u>(802,006)</u>
Non-current portion	<u>—</u>	<u>42,733</u>

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:

	2021	2020
	HK\$'000	HK\$'000
Within 90 days	1,893,810	441,428
91 to 180 days	96,251	170,986
181 to 360 days	112,710	213,980
Over 360 days	15,494	18,345
	<u>2,118,265</u>	<u>844,739</u>

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

12. SHARE CAPITAL

	2021	2020
	HK\$'000	HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,701,693,013 (2020: 2,646,915,000) ordinary shares of HK\$0.1 each	<u>270,169</u>	<u>264,692</u>

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

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
At 1 January 2020		2,562,284,000	256,228
Share options exercised	<i>(a)</i>	1,631,000	164
Issue of subscription shares	<i>(b)</i>	<u>83,000,000</u>	<u>8,300</u>
At 31 December 2020 and at 1 January 2021		2,646,915,000	264,692
Shares issued in lieu of cash dividend	<i>(c)</i>	<u>54,778,013</u>	<u>5,477</u>
At 31 December 2021		<u>2,701,693,013</u>	<u>270,169</u>

Notes:

- (a) Share options with rights to subscribe for 1,631,000 shares were exercised at the subscription price of HK\$2.016 per share, resulting in the issue of 1,631,000 ordinary shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$3,289,000. An amount of HK\$2,098,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) On 23 July 2020, 83,000,000 shares were allotted and issued at the subscription price of HK\$3.75 per share pursuant to a placing and subscription arrangement for a cash consideration, before expenses, of HK\$311,250,000.
- (c) On 11 June 2021, the Company's shareholders approved at the annual general meeting a final dividend of HK3.45 cents per ordinary share payable in cash for the year ended 31 December 2020 (the "**2020 Final Dividend**") for which the Board offered to shareholders a scrip dividend alternative (the "**Scrip Dividend Scheme**"). During the year ended 31 December 2021, 44,487,661 new shares were issued by the Company at a deemed price of HK\$1.7803 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle the 2020 Final Dividend of HK\$79,202,000. The remaining balance of the 2020 Final Dividend of HK\$12,117,000 was satisfied by cash. Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 28 June 2021.

On 27 August 2021, the Board approved an interim dividend of HK0.75 cent per ordinary share payable in cash with a scrip dividend alternative (the "**Interim Scrip Dividend Scheme**") for the six months period ended 30 June 2021 (the "**2021 Interim Dividend**"). During the year ended 31 December 2021, 10,290,352 new shares were issued by the Company at a deemed price of HK\$1.5751 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle the 2021 Interim Dividend of HK\$16,208,000. The remaining balance of the 2021 Interim Dividend of HK\$3,977,000 was satisfied by cash. Further details of the Interim Scrip Dividend Scheme are set out in the Company's circular dated 23 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Market Review

In 2021, the global economy rebounded along with the expansive COVID-19 vaccination coverage and relaxed preventive measures in countries. While the economic recovery boosted the energy demand worldwide, a significant mismatch between supply and demand in the energy market arose due to multiple issues on the supply side such as insufficient production, shrinking stocks and increased transportation cost. The soaring prices of traditional fuels including natural gas, coal and oil caused by supply chain bottlenecks weighed further on the energy sector.

Under the threat of global warming, the world suffered a great loss in economy and human lives last year as a consequence of frequent floods, droughts, heatwaves and cold waves. The occurrence of these intensified climate disasters on one hand made the global community more determined to combat climate change, but on the other hand accentuated the dependence of renewable energy on the environment. It was indeed a difficult year for many countries to provide stable and reliable electricity with intermittent energy sources such as wind and hydro power owing to different climate issues. Without other alternatives, governments had to increase the use of natural gas for electricity generation which exacerbated the pressure on natural gas supply.

The imbalance of energy demand and supply was considered a worldwide challenge. Not only did the United Kingdom suffer fuel shortage, Europe, China and India also faced gas, electricity and coal shortages respectively. Midstream and downstream corporations were the hardest hit among the energy sector. In the face of adversity, many electricity providers scaled down their production or even suspended business, with a change in focus of business strategies from active expansion to maintaining business stability and sustainable development.

Business Review

Despite the prolonged COVID-19 pandemic and global energy shortage, we remained committed to providing our clients with reliable power solutions. Thanks to the effective adjustment of operation plan, stock management of components and parts, and dedicated efforts of our staff, the two business segments of the Group maintained stable and smooth operation in this complicated environment.

System Integration (“SI”) Business

Supported by a strong customer base and sales network, our SI business recorded a growth in spite of the supply chain disruption. Revenue from SI business for the year ended 31 December 2021 was approximately HK\$3,665.9 million (2020: approximately HK\$2,169.9 million), representing an increase of 68.9% which was mainly contributed by income from various sectors including data centres, power stations, industrials, rental and events and marine, and construction services revenue of approximately HK\$1,226.5 million.

Invest, Build and Operate (“IBO”) Business

Currently, we have IBO projects located in mature markets such as China and the United Kingdom, as well as emerging and developing markets including Myanmar, Indonesia, Peru and Brazil. This relatively diverse geographical distribution helps us mitigate impacts from the structural change and geopolitical tensions of a single market on our IBO business. For the year ended 31 December 2021, revenue from IBO business was approximately HK\$1,428.2 million, representing a year-on-year growth of 17.3%. The growth was mainly contributed by the increase in revenue from the progressive operation commencement of our projects in Brazil which comprises mostly amounts representing fuel costs expensed for the offtaker.

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 “**Joint Venture Projects**”), in Myanmar. With the phased operation commencement of the Joint Venture Projects since 2020, CNTIC VPower has been committed to providing stable electricity to the people of Myanmar, and improving their livelihood through community development support and employment opportunities.

Since the beginning of 2021, the overall changes in political, economic and social environments in Myanmar have brought challenges to the operation of CNTIC VPower, resulting in a less-than-expected generation and income from Joint Venture Projects. Meanwhile, CNTIC VPower has made a provision for expected credit losses of trade receivables in accordance with relevant accounting standards, and recorded both realised and unrealised foreign exchange loss. All things considered, its profit for the year significantly decreased as compared to that of 2020. For the year ended 31 December 2021, CNTIC VPower made a contribution of approximately HK\$6.4 million to the Group’s profit. As at 31 December 2021, our total investment cost in CNTIC VPower was approximately HK\$700.4 million; its carrying value was approximately HK\$913.1 million, representing approximately 8.8% of the Group’s total assets.

Under the continued impacts from, among other things, international political condition, significant drop in foreign exchange volume in Myanmar, fluctuation of oil and gas prices and the COVID-19 pandemic, CNTIC VPower has temporarily suspended the power generation of two projects altogether since December of 2021, pending for implementation of arrangements for resolution of the problems arising from the current challenging business environment.

We anticipate that it may take time for CNTIC VPower to negotiate with related parties and implement solutions, and hence the generation of its projects will not reach expectation in a short period of time. CNTIC VPower is diligently controlling its administrative expenses while the near-term profit will nevertheless be affected by the depreciation charged on assets. As we remain optimistic about the prospects of liquefied natural gas (LNG)-to-power market globally, CNTIC VPower is considered a long-term investment of the Group in this market. We are of the opinion that, with the support and assistance from the Group and the other shareholder, CNTIC VPower will continue its active engagement with other major stakeholders to resolve the ongoing issues together.

(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 year ended 31 December 2021, the Group received distribution of approximately HK\$30.6 million from the Fund and recorded a share of profit of approximately HK\$3.0 million. As at 31 December 2021, the total investment cost we invested in the Fund was approximately HK\$809.8 million; and the carrying value of our investment in the Fund was approximately HK\$833.0 million, representing around 8.0% of the Group’s total assets.

Power Project Portfolio

The following table shows the power projects of the Group⁽¹⁾ as of 31 December 2021:

	Our equity interest	Gross capacity (MW)⁽²⁾	Contract length (months)⁽³⁾
<i>Indonesia</i>			
Teluk Lembu I	100%	20.3	12
Teluk Lembu II	100%	65.8	6
Rengat	100%	20.3	12
Muko	100%	6.5	12
Dumai ⁽⁴⁾	100%	18.7	180
<i>Myanmar</i>			
Kyauk Phyu I	100%	49.9	7
Myingyan I ⁽⁵⁾	100%	149.8	7
Myingyan II	100%	109.7	60
Yangon	100%	4.7	48
Kyun Chaung	100%	23.2	24
<i>China</i>			
Shandong	100%	14.4	180
<i>Latin America</i>			
Iquitos	51%	79.8	240
Amazonas State	100%	70.3	60–180
<i>United Kingdom</i>			
Doncaster	100%	20.3	180
Other projects	100%	132.0	180
<i>Joint Venture Projects</i>			
Thaketa	50%	477.1	60
Thanlyin	50%	410.2	60
Kyauk Phyu III	50%	<u>172.2</u>	60
Total capacity		<u><u>1,845.2</u></u>	

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.

OUTLOOK

Stepping into 2022, variants and slow vaccine rollouts continue to fuel the COVID-19 pandemic in emerging markets and developing economies. At the same time, geopolitical tensions have affected energy supply, international trade and policy cooperation. As a result of prolonged health risks, surging energy price and supply chain disruption, the world confronts rising inflationary pressures which subdues economic growth. In addition, the current climate crisis poses a conspicuous threat to all economies. At the United Nations Climate Change Conference in Glasgow, countries reached the first ever agreement to phase down coal, but this deal has drawn criticism for falling short of the goal of limiting global warming to 1.5°C above pre-industrial levels. Regardless of whether more aggressive emission reduction plans will be introduced in the short run, energy transition is set and brings challenges and opportunities to the energy sector.

Tremendous business opportunities for clean and low-carbon energy have come along with the trend of energy transition. From the energy crisis in Europe in 2021, it was observed that the higher proportion of renewables in the energy mix, the greater contribution of natural gas-fired power generation brings to energy security. Distributed energy, an energy supply solution integrated with energy production and consumption adjacent to the end-users, also forms part of the market development trend because of its low transmission loss and enhanced energy efficiency. With years of experience in gas-fired power generation, leading distributed energy technologies and a comprehensive platform of LNG logistics through a joint venture, we provide our clients in different regions with one-stop distributed gas-fired power solutions which is also the key of our business development in the future. In recent years, we have been active in positioning our presence for integrated distributed energy business in China, and explored opportunities for complementary systems integrating gen-sets and renewable energy in Brazil and other countries. Our efforts are expected to come to fruition in the coming two to three years.

Under the dual impacts of globalisation and reterritorialization, energy markets in different countries confront not only common challenges but also specific risks. It is our key strategy to develop a project portfolio with geographical diversity in order to balance opportunity and risk. We will maintain our current investment in emerging countries, and will invest more in regions where power sectors are marketised or under marketisation so as to seize the opportunities emerged from the rising demand for distributed gas-fired power solutions integrated with solar and battery storage as baseload and peak shaving power as well as electricity trading.

Facing a complex macro environment and an intensifying crisis of climate change, we are firmly determined to overcome challenges and maintain steady development with a focus on improving management effectiveness and efficiency, enhancing cost and expense control and protecting our employees' health in the near future. In view of some expired short-term contracts, the gen-sets will be redeployed to new projects leveraging on the redeployable, reusable and plug and play design of our power stations in order to increase revenue and reduce capital expenditure. Meanwhile, we are actively developing fuel flexible gas gen-sets to operate on a blend of hydrogen and natural gas with the targets to achieve a 10% hydrogen blend this year, and 25% and 100% blends in 2023 and 2025 respectively. We will also set out a roadmap of decarbonisation and develop a prudent business plan, with an aim to phase out pure diesel power projects by 2030 and achieve carbon neutrality by 2050.

The COVID-19 pandemic has caused serious disruption to the order of economy and society, as well as accelerated the development of current trends. In this new era with uncertainties, we will regularly review our strategies to ensure steady progress towards our target of carbon neutrality, and maintain our communication and cooperation with major stakeholders consolidating the sustainable development of the Group. With the joint efforts of our management team, employees and business partners, we are confident in seizing opportunities to improve the diversity and sustainability of revenue and contribute to our carbon-free future as a leader of distributed power generation industry.

Financial Review

Revenue

The revenue of the Group was mainly derived from: (i) SI business by providing gensets 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	
	2021	2020
	HK\$'000	HK\$'000
SI	3,665,925	2,169,865
IBO	<u>1,428,154</u>	<u>1,217,071</u>
Total	<u><u>5,094,079</u></u>	<u><u>3,386,936</u></u>

In 2021, the Group recorded a revenue of approximately HK\$5,094.1 million, representing an increase of 50.4% as compared with approximately HK\$3,386.9 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			
	2021		2020	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Hong Kong, Macau and Mainland China	1,481,445	29.1	969,473	28.6
Other Asian countries ⁽¹⁾	2,049,370	40.2	1,001,401	29.6
Other countries	135,110	2.7	198,991	5.9
Total	<u>3,665,925</u>	<u>72.0</u>	<u>2,169,865</u>	<u>64.1</u>

Note:

(1) Other Asian countries mainly include Singapore, Myanmar, Bangladesh and United Arab Emirates.

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			
	2021		2020	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Peru ⁽¹⁾	484,651	9.5	452,319	13.4
Brazil ⁽¹⁾	424,397	8.3	154,391	4.6
Myanmar	381,983	7.5	461,788	13.5
Indonesia	68,343	1.3	75,586	2.2
Mainland China	28,872	0.6	26,571	0.8
United Kingdom	21,386	0.4	—	—
Sri Lanka	18,522	0.4	46,416	1.4
Total	<u>1,428,154</u>	<u>28.0</u>	<u>1,217,071</u>	<u>35.9</u>

Note:

(1) Revenue comprises amounts representing fuel cost expensed for offtakers.

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 gensets and power generation systems.

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 2021 and 2020, our cost of sales was HK\$4,281.6 million and HK\$2,575.8 million, respectively. The increase was due to the growth of both SI and IBO businesses, in particular, the increase in pass-through fuel cost in the IBO projects.

Gross profit and gross profit margin

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>gross profit margin %</i>	<i>HK\$'000</i>	<i>gross profit margin %</i>
SI	404,474	11.0	403,218	18.6
IBO	408,039	28.6	407,908	33.5
Total	812,513	16.0	811,126	23.9

Gross profit of the Group was approximately HK\$812.5 million, representing a slightly increase of HK\$1.4 million as compared with approximately HK\$811.1 million of the previous year. Gross profit margin for this year decreased to 16.0% from 23.9% in 2020 which was mainly attributable to the increase in construction services revenue in SI business which has low gross profit margin and the increase in pass-through fuel cost in IBO business.

Profit before tax

Profit before tax for the year ended 31 December 2021 was approximately HK\$106.7 million, representing a decrease of 81.7% as compared with HK\$582.4 million of the previous year. The decrease was mainly due to a decrease in other income and gains and a decrease in share of profits of joint ventures.

Other income and gains, net

In 2021, other income and gains, net of the Group amounted to approximately HK\$12.0 million, representing a decrease of 93.2% as compared with approximately HK\$175.5 million of the previous year. The decrease was mainly attributable to a consultancy income recognised during the year ended 31 December 2020 which did not exist in the year ended 31 December 2021.

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 2021, selling and distribution expenses of the Group decreased by 12.4% from approximately HK\$33.1 million in 2020 to HK\$29.0 million.

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 2021, administrative expenses of the Group were approximately HK\$408.6 million, representing an increase of 18.5% over the previous year of approximately HK\$344.8 million. The increase was mainly due to the increase in depreciation charge, demobilisation cost and expenses related to the COVID-19 pandemic.

Other expenses, net

Other expenses, net of the Group mainly consist of foreign exchange loss, impairment of trade receivables, loss on disposal of items of property, plant and equipment and write-down of inventories to net realisable value.

In 2021, other expenses, net were approximately HK\$79.2 million, which represented an increase of 14.3% over the previous year of approximately HK\$69.3 million. The increase was mainly attributable to the increase in foreign exchange loss emerged from operation in Myanmar and impairment of trade receivables.

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 2021, finance costs were approximately HK\$210.4 million, which represented a decrease of 4.6% as compared with the previous year of approximately HK\$220.5 million. The decrease was primarily due to the decrease in average borrowing interest rate.

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 2021, income tax expense was approximately HK\$49.9 million, representing a decrease of 12.3% compared with the previous year of approximately HK\$56.9 million, and our effective tax rate was 46.8% and 9.8% for 2021 and 2020, respectively.

Profit Attributable to Owners and Earnings per Share

In 2021, profit attributable to owners of the Company was approximately HK\$45.7 million, representing a decrease of approximately HK\$470.6 million or approximately 91.1% as compared with approximately HK\$516.3 million of the previous year.

Basic earnings per share for the year ended 31 December 2021 were HK1.72 cents as compared with HK19.96 cents (restated) of the previous year.

Liquidity, Financial and Capital Resources

As at 31 December 2021, total current assets to the Group amounted to HK\$4,976.9 million (2020: HK\$3,348.1 million). In terms of financial resources as at 31 December 2021, cash and cash equivalents of the Group were HK\$462.4 million (2020: HK\$978.2 million).

As at 31 December 2021, total bank and other borrowings and senior notes of the Group amounted to approximately HK\$3,852.0 million (2020: HK\$3,188.9 million), representing an increase of approximately 20.8% as compared to that of 31 December 2020. 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 31 December 2021, the Group's bank and other borrowings and senior notes denominated in U.S. dollars, HK dollars, Brazilian real (“**BRL**”), Peruvian Sol (“**PEN**”), Euro, United Kingdom Pound (“**GBP**”) and Renminbi (“**RMB**”) were approximately HK\$3,619.2 million (2020: HK\$2,790.7 million), approximately HK\$145.7 million (2020: HK\$277.7 million), approximately HK\$48.3 million (2020: Nil), approximately HK\$13.1 million (2020: HK\$18.8 million), approximately HK\$9.8 million (2020: HK\$101.7 million), approximately HK\$9.4 million (2020: Nil) and approximately HK\$6.5 million (2020: Nil), respectively.

During the year, the Group completed a HK\$187 million unsecured sustainability-linked syndicated term loan which includes a three-year facility and a thirty-month facility to refinance the loan maturing in 2021 and 2022.

As at 31 December 2021, the Group's current ratio was 1.1 (2020: 1.0). The Group's liabilities to assets ratio, which is calculated as a percentage of total liabilities to total assets, was 65.9% (2020: 61.9%). The liabilities to assets ratio, adjusted by excluding the total liabilities and the total assets held by the non-wholly owned subsidiaries for the operation of Iquitos Project, was 63.1% (2020: 57.9%). 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 92.8% (2020: 60.5%). 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/or other subsidiaries, and restricted cash held under that non-wholly owned subsidiary, was 73.5% (2020: 40.4%).

Charge of Assets

As at 31 December 2021, the Group's senior notes, and interest-bearing bank and other borrowings were secured by charges on (i) certain of the Group's property, plant and equipment with a net book value of approximately HK\$763.3 million (2020: HK\$824.0 million); (ii) the equity interest in Genrent del Peru S.A.C., a 51%-owned subsidiary; (iii) restricted cash of HK\$61.2 million (2020: HK\$66.6 million); and (iv) pledged deposit of HK\$38.7 million (2020: HK\$37.1 million).

Exposure on Foreign Exchange Fluctuations

The Group's revenue and payments are mainly in U.S. dollars, Euro, RMB, GBP, PEN, Myanmar Kyat ("MMK"), BRL, Indonesian Rupiah ("IDR") and Sri Lankan Rupee ("LKR"). 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 purchases 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 U.S. dollar. During the year ended 31 December 2021, the Group entered into currency forward contracts to manage its partial foreign exchange exposure against Euro appreciation. The Group will closely follow the hedging policy and monitor its overall foreign exchange exposure from time to time to minimize the relevant exposures.

As market conditions continue to evolve, the Group's Investment Committee will continue to closely monitor the currency risk and adopt strategies that, if necessary, reduce the exposure of currency risks.

Contingent Liabilities

As at 31 December 2021, the Group had no contingent liabilities.

Capital Expenditures

For the year ended 31 December 2021, the Group invested approximately HK\$107.3 million (2020: HK\$272.0 million) in property, plant and equipment of which HK\$106.1 million (2020: HK\$270.9 million) relate to IBO projects.

EMPLOYEES

As at 31 December 2021, the Group had 580 employees (2020: 628). The Group remunerates its employees based on their performance, experience and prevailing industry practice; and grants bonus in cash and shares of the Company to motivate valued employees. In 2021, 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 does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK3.45 cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the forthcoming annual general meeting of the Company scheduled to be held on Friday, 10 June 2022 (the “**2022 AGM**”), the register of members of the Company will be closed during the period from Tuesday, 7 June 2022 to Friday, 10 June 2022 (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 2022 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, 6 June 2022.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for the following deviation:

Code Provision C.2.1 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. Since 1 October 2021, Mr. Lam Yee Chun (“**Mr. Lam**”), an executive director of the Company has assumed both the roles of 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; and the existing composition of the management team and Mr. Lee Chong Man Jason’s role as the other co-chief executive officer of the Group will be able to achieve a balance of power and authority for Mr. Lam taking up the dual roles in the Group. The Company reviews 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 year ended 31 December 2021.

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

In 2021, 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, auditing and financial reporting matters and the annual results of the Company for the year ended 31 December 2021.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS 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 2021 as set out in this 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 this announcement.

PUBLICATION OF 2021 FINAL RESULTS AND ANNUAL 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 2021 Annual Report will be despatched to shareholders of the Company and posted on the aforesaid websites in April 2022.

ANNUAL GENERAL MEETING

The 2022 AGM of the Company is scheduled to be held on Friday, 10 June 2022. Notice of the 2022 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 and Co-Chief Executive Officer

Hong Kong, 29 March 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.