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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- Revenue decreased 18.2% to HK\$816.6 million. Among which, revenue from SI business was HK\$345.1 million and revenue from IBO business was HK\$471.5 million, representing a decrease of 41.5% and an increase of 15.6% respectively.
- Gross profit increased 3.1% to HK\$140.6 million with a gross profit margin of 17.2%.
- Loss attributable to the owners of the Company decreased 57.7% to HK\$138.6 million, which was mainly due to the decreases in administrative expenses and other expenses and no share of loss recorded from the joint venture with investments in Myanmar for the reporting period.

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 2024, together with comparative figures of the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	4	816,567	998,123
Cost of sales		<u>(676,018)</u>	<u>(861,757)</u>
Gross profit		140,549	136,366
Other income and gains, net	4	30,845	3,347
Selling and distribution expenses		(5,644)	(8,174)
Administrative expenses		(152,885)	(198,785)
Other expenses, net		(7,844)	(79,779)
Finance costs		(140,708)	(134,752)
Share of profits or losses from joint ventures		<u>4,113</u>	<u>(63,692)</u>
LOSS BEFORE TAX	5	(131,574)	(345,469)
Income tax credit/(expense)	6	<u>(6,729)</u>	<u>17,929</u>
LOSS FOR THE PERIOD		<u>(138,303)</u>	<u>(327,540)</u>
Attributable to:			
Owners of the Company		(138,599)	(327,704)
Non-controlling interests		<u>296</u>	<u>164</u>
		<u>(138,303)</u>	<u>(327,540)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(2.08) cents</u>	<u>HK(12.19) cents</u>
Diluted		<u>HK(2.08) cents</u>	<u>HK(12.19) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(138,303)	(327,540)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive 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	—	(72)
Reclassification adjustments included in the consolidated statement of profit or loss	—	(7,785)
	—	(7,857)
Exchange differences on translation of foreign operations	(40,010)	10,385
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(40,010)	2,528
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(178,313)	(325,012)
Attributable to:		
Owners of the Company	(178,609)	(325,176)
Non-controlling interests	296	164
	(178,313)	(325,012)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,036,928	2,177,427
Right-of-use assets		44,834	35,920
Other intangible assets		8,935	8,997
Interests in joint ventures	10	882,195	991,780
Deposits and other receivables		48,240	54,169
Deferred tax assets		17,173	20,807
		<u>3,038,305</u>	<u>3,289,100</u>
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		832,227	1,029,465
Trade and bills receivables	11	1,680,195	1,616,207
Prepayments, deposits, other receivables and other assets		168,629	141,368
Derivative financial instruments		13,520	—
Tax recoverable		582	591
Restricted cash		12,290	12,259
Pledged deposits		783	1,100
Cash and cash equivalents		253,216	131,233
		<u>2,961,442</u>	<u>2,932,223</u>
Assets held for sale	15	<u>—</u>	<u>14,304</u>
		<u>2,961,442</u>	<u>2,946,527</u>
TOTAL current assets			
CURRENT LIABILITIES			
Trade and bills payables	12	561,187	518,638
Other payables and accruals		1,012,499	753,481
Contract liabilities		266,130	233,777
Derivative financial instruments		—	6,508
Interest-bearing bank and other borrowings	13	2,332,208	2,717,007
Lease liabilities		15,803	13,016
Tax payable		5,488	4,808
Provision for restoration		4,774	5,205
		<u>4,198,089</u>	<u>4,252,440</u>
TOTAL current liabilities			
NET CURRENT LIABILITIES		<u>(1,236,647)</u>	<u>(1,305,913)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,801,658</u>	<u>1,983,187</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables		1,006	1,259
Interest-bearing bank and other borrowings	<i>13</i>	42,132	50,194
Lease liabilities		48,122	42,392
Provision for restoration		666	279
Deferred tax liabilities		4,535	5,553
		<u>96,461</u>	<u>99,677</u>
Total non-current liabilities		<u>96,461</u>	<u>99,677</u>
Net assets		<u>1,705,197</u>	<u>1,883,510</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	668,315	668,315
Reserves		1,036,606	1,215,215
		<u>1,704,921</u>	1,883,530
Non-controlling interests		276	(20)
		<u>1,705,197</u>	<u>1,883,510</u>
Total equity		<u>1,705,197</u>	<u>1,883,510</u>

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 2024, 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 China National Technical Import & Export Corporation (“CNTIC”), a company established under the laws of the People’s Republic of China (“PRC”) with limited liability, and the ultimate holding company of the Company is China General Technology (Group) Holding Co., Ltd., a company also established under the laws of the PRC with limited liability and under the direct supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 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.

Going Concern Basis

For the six months ended 30 June 2024, the Group incurred a net loss of HK\$138.3 million. As at 30 June 2024, the Group had net current liabilities of HK\$1,236.6 million which was mainly resulted from HK\$2,332.2 million of interest-bearing bank and other borrowings repayable within twelve months from the end of the reporting period. The Group had cash and cash equivalents amounted to HK\$253.2 million as at 30 June 2024. Subsequent to the end of the reporting period and up to the date of approval of the financial statements, no waivers have been obtained from the relevant banks for the late repayment of outstanding loan amounts, and non-compliance with certain loan covenants.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. In view of such circumstances, the directors of the Company have been undertaking plans and measures to improve the Group’s liquidity and financial position, including, *inter alia*:

- (i) materialising the disposal of power generation fixed assets and inventory to the controlling shareholder of the Company to obtain proceeds for loan repayments and as working capital;
- (ii) utilising the business resources of the controlling shareholder of the Company and other business partners to accelerate new project execution for revenue generation;
- (iii) continuing the discussion with the banks on extending repayment schedules of certain outstanding bank loans and implementing refinancing arrangements;
- (iv) implementing measures to speed up the collection of outstanding trade and other receivables;
- (v) considering divestment of certain non-current assets; and
- (vi) exploring other debt or equity financing arrangements.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 30 June 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Basis of Consolidation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liabilities in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*

The Group will apply Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements* which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the Group's annual consolidated financial statements for the year ending 31 December 2024.

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 (“**I**BO”) 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/loss before tax except that bank interest income, non-lease-related finance costs, fair value losses on 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, 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 2024 (unaudited)

	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	345,074	471,493	816,567
Intersegment sales	<u>2,374</u>	<u>—</u>	<u>2,374</u>
	347,448	471,493	818,941
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(2,374)</u>
Revenue			<u><u>816,567</u></u>
Segment results	20,890	737	21,627
<i>Reconciliation:</i>			
Elimination of intersegment results			(337)
Bank interest income			386
Corporate and unallocated expenses, net			(13,938)
Finance costs (other than interest on lease liabilities)			<u>(139,312)</u>
Loss before tax			<u><u>(131,574)</u></u>
Segment assets	2,188,462	2,664,655	4,853,117
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,146,630</u>
Total assets			<u><u>5,999,747</u></u>
Segment liabilities	1,196,133	320,129	1,516,262
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>2,778,288</u>
Total liabilities			<u><u>4,294,550</u></u>

For the six months ended 30 June 2023 (unaudited)

	SI <i>HK\$'000</i>	IBO <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	590,141	407,982	998,123
Intersegment sales	<u>11,647</u>	<u>—</u>	<u>11,647</u>
	601,788	407,982	1,009,770
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(11,647)</u>
Revenue			<u><u>998,123</u></u>
Segment results	(24,499)	(116,229)	(140,728)
<i>Reconciliation:</i>			
Elimination of intersegment results			(1,010)
Bank interest income			770
Corporate and unallocated expenses, net			(71,470)
Finance costs (other than interest on lease liabilities)			<u>(133,031)</u>
Loss before tax			<u><u>(345,469)</u></u>
Year ended 31 December 2023 (audited)			
Segment assets	2,376,048	2,841,145	5,217,193
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>1,018,434</u>
Total assets			<u><u>6,235,627</u></u>
Segment liabilities	1,053,887	496,087	1,549,974
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>2,802,143</u>
Total liabilities			<u><u>4,352,117</u></u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Hong Kong and Chinese Mainland	181,711	87,335
Other Asian countries	144,970	462,966
Latin America	357,014	309,808
Other countries	<u>132,872</u>	<u>138,014</u>
	<u>816,567</u>	<u>998,123</u>

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

(b) Non-current assets

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
	Hong Kong and Chinese Mainland	789,716
Other Asian countries	1,479,740	1,571,144
Latin America	472,145	515,890
Other countries	<u>231,291</u>	<u>231,895</u>
	<u>2,972,892</u>	<u>3,214,124</u>

The non-current asset information above is 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 2024 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>345,074</u>	<u>471,493</u>	<u>816,567</u>

For the six months ended 30 June 2023 (unaudited)

Segments	SI HK\$'000	IBO HK\$'000	Total HK\$'000
Total revenue from contracts with customers	<u>590,141</u>	<u>407,982</u>	<u>998,123</u>

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Bank interest income	386	770
Government grants*	229	209
Gain on disposal of items of property, plant and equipment, net	1,578	—
Fair value gain on derivative financial instruments	21,391	—
Others	<u>7,261</u>	<u>2,368</u>
	<u>30,845</u>	<u>3,347</u>

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

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment*	117,561	121,722
Depreciation of right-of-use assets	6,378	7,893
Write-down of inventories to net realisable value [#]	944	67,665
Fair value loss on derivative financial instruments [#]	—	2,882
Foreign exchange difference, net [#]	6,861	9,094
Loss on disposal of items of property, plant and equipment, net	39	138 [#]

* The cost of sales for the period included depreciation charges of HK\$73,658,000 (six months ended 30 June 2023: HK\$58,947,000).

[#] 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 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. The first HK\$2,000,000 (six months ended 30 June 2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Overprovision in prior periods	(248)	—
Current — Elsewhere		
Charge for the period	5,921	6,887
Underprovision in prior periods	777	1,692
Deferred	279	(26,508)
Total tax charge/(credit) for the period	6,729	(17,929)

7. DIVIDENDS

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The Board did not recommend the payment of any final dividend in respect of the years ended 31 December 2023 and 2022.

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$138,599,000 (six months ended 30 June 2023: HK\$327,704,000) and the weighted average number of ordinary shares of 6,669,484,000 (six months ended 30 June 2023: 2,688,026,000) in issue during the period, as adjusted to exclude the shares held under the share award scheme.

No adjustment was made to the basic loss per share amount presented for the six months ended 30 June 2024 and 30 June 2023 as the Company has no potential dilutive ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment of HK\$25,532,000 (six months ended 30 June 2023: HK\$34,171,000) and there was no write-off of property, plant and equipment (six months ended 30 June 2023: Nil).

10. INTERESTS IN JOINT VENTURES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Share of net assets	<u>882,195</u>	<u>991,780</u>

In January 2018, the Company and CITIC Pacific Limited (“**CITIC Pacific**”), through their respective subsidiaries, established Tamar VPower Energy Fund I, L.P. (the “**Fund**”). Tamar VPower Holdings Limited, indirectly owned as to 50% by each of the Company and CITIC Pacific, has a wholly-owned subsidiary to act as the general partner, the special limited partner and the management company, respectively, of the Fund. The Company has committed an aggregate amount of US\$105,000,000 (equivalent to HK\$819,000,000) to subscribe for interest in the Fund through its own indirect wholly-owned subsidiary and the special limited partner of the Fund. As at 30 June 2024, the Group invested approximately HK\$819,000,000 (31 December 2023: HK\$819,000,000) in the Fund.

In September 2019, the Company and CNTIC, through their respective subsidiaries, established CNTIC VPower Group Holdings Limited (“**CNTIC VPower**”), which is indirectly owned as to 50% by each of the Company and CNTIC. CNTIC VPower, together with its subsidiaries, was principally engaged in the development and operation of three power generation projects in Myanmar. As at 30 June 2024, the Group invested approximately HK\$700,444,000 (31 December 2023: HK\$700,444,000) in CNTIC VPower.

On 30 June 2022, the shareholders' agreement of Genrent del Peru S.A.C. and VPTM Iquitos S.A.C. (collectively, the "Genrent Peru Group"), the then 51%-owned subsidiaries of the Group, was amended such that (i) the composition of the boards of directors of the subject company is shared equally between the Group and shareholders holding an aggregate of 49% equity interests in the subject company; and (ii) the shareholders' resolutions of the subject company require consent of shareholders holding not less than two-thirds of the issued capital of the subject company. In the opinion of the directors of the Company, after the amendment of the shareholders' agreement, the Group ceased to have control over the Genrent Peru Group and it became joint ventures of the Group thereafter. Accordingly, the Group derecognised the assets and liabilities of the Genrent Peru Group and recognised its 51% equity interests in the Genrent Peru Group as interests in joint ventures.

11. TRADE AND BILLS RECEIVABLES

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	2,937,907	2,873,815
Bills receivables	275	402
Impairment	(1,257,987)	(1,258,010)
	<u>1,680,195</u>	<u>1,616,207</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 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 2024	31 December 2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	164,199	106,477
91 to 180 days	19,996	77,514
181 to 360 days	81,867	344,673
Over 360 days	<u>1,414,133</u>	<u>1,087,543</u>
	<u>1,680,195</u>	<u>1,616,207</u>

12. TRADE AND BILLS PAYABLES

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 90 days	69,839	112,178
91 to 180 days	99,836	12,891
181 to 360 days	17,824	4,605
Over 360 days	<u>373,688</u>	<u>388,964</u>
	<u>561,187</u>	<u>518,638</u>

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current		
Bank overdraft — unsecured	—	8,791
Portions of bank loans due for repayment within one year or on demand — secured	449,348	510,968
Portions of bank loans due for repayment within one year or on demand — unsecured	1,807,688	2,122,118
Other borrowings — secured	<u>75,172</u>	<u>75,130</u>
	<u>2,332,208</u>	<u>2,717,007</u>
Non-current		
Other borrowings — secured	<u>42,132</u>	<u>50,194</u>
Total	<u>2,374,340</u>	<u>2,767,201</u>

14. SHARE CAPITAL

Shares

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Authorised:			
10,000,000,000 (31 December 2023: 10,000,000,000) ordinary shares of HK\$0.1 each	(a)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
6,683,150,524 (31 December 2023: 6,683,150,524) ordinary shares of HK\$0.1 each		<u>668,315</u>	<u>668,315</u>

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

		Number of ordinary shares	Nominal value of ordinary shares
	<i>Note</i>		HK\$'000
At 1 January 2023		5,000,000,000	500,000
Increase in authorised share capital	(a)	<u>5,000,000,000</u>	<u>500,000</u>
At 31 December 2023, at 1 January 2024 and at 30 June 2024		<u>10,000,000,000</u>	<u>1,000,000</u>

		Number of ordinary shares	Nominal value of ordinary shares
	<i>Note</i>		HK\$'000
At 1 January 2023		2,701,693,013	270,169
Issue of shares for subscription by the new controlling shareholder	(b)	3,290,457,511	329,046
Issue of shares for placing to public shareholders	(b)	<u>691,000,000</u>	<u>69,100</u>
At 31 December 2023, at 1 January 2024 and at 30 June 2024		<u>6,683,150,524</u>	<u>668,315</u>

- (a) On 15 September 2023, an ordinary resolution was passed in the extraordinary general meeting of the Company to increase the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 shares to HK\$1,000,000,000 divided into 10,000,000,000 shares by creation of an additional 5,000,000,000 new shares.

- (b) On 26 September 2023, the Company completed a share subscription and allotted and issued 3,290,457,511 ordinary shares, at the subscription price of HK\$0.42 per share, for a total subscription amount of HK\$1,381,992,000 which was satisfied in full by way of application of and offsetting the trade payable by the Group to the subscriber. On the same day and simultaneously with the subscription, the Company allotted and issued 691,000,000 ordinary shares by placing to public places at a placing price of HK\$0.33 per share for a total proceeds of approximately HK\$228,030,000 in cash, before expenses of HK\$14,337,000 (including a payable of HK\$1,550,000).

15. ASSETS HELD FOR SALE

In the prior year, the Group negotiated with an independent third party for disposal of a distributed power station in Myanmar and a sales agreement was signed between the Group and the independent third party while certain testing criteria had not yet been fulfilled. In the opinion of the directors, the sale was considered highly probable and was expected to be completed within one year from the dates of reclassification. Accordingly, the related distributed power station of HK\$14,304,000 included in “Property, plant and equipment” were classified as assets held for sale as at 31 December 2023.

During the six months ended 30 June 2024, the assets held for sale were disposed of to the independent third party.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2024, the growth in electricity demand regained momentum despite the enduring impacts of the global energy crisis. The solid economic activity in certain countries and regions, surge in data centre expansions and intense heatwaves made substantial contributions to the recovery of the electricity market.

China was one of the key drivers of the global electricity market with the rapidly expanding production of solar photovoltaics modules, electric vehicles, and batteries. It was reported that some energy-intensive industries in various regions restarted operations seeing the stabilised energy prices.

With the rise of artificial intelligence and accelerating digitalisation, there were rising power needs of the data centre sector. It was getting more common for the data centre providers to develop on-site generation with a view to circumventing grid connection challenges or reducing dependency on the grid for a more stable and controllable power supply which drove the demand for back-up and flexible power.

The frequent occurrence of heatwaves, as identified as a form of climate change indicators, strained the worldwide power systems, which also elevated electricity demand. It highlighted the importance of reinforcement of power grids to ensure reliability whilst at the same time arousing much attention to the disastrous impacts of climate change.

Business Review

In pursuit of corporate resilience and business vitalisation, the Group recognises the need to refine its business strategy and reinforce risk management during its ordinary course of business. In the first half of 2024, the Group adopted a stricter project selection process, including conducting a stringent know-your-customer due diligence and performing a conservative financial assessment, for each of its SI and IBO projects. The improved evaluation criteria came with costs that certain business opportunities with upfront cash outflow and longer capital recovery period were not taken up.

For the period under review, the Group recorded a total revenue of approximately HK\$816.6 million (corresponding period of 2023: HK\$998.1 million, and a gross profit of approximately HK\$140.5 million (corresponding period of 2023: HK\$136.4 million).

SI Business

The Group recorded approximately HK\$345.1 million of revenue and approximately HK\$48.4 million of gross profit from SI business for the six months ended 30 June 2024 (corresponding period of 2023: HK\$590.1 million and HK\$47.5 million respectively), representing a year-on-year decrease of 41.5% and an increase of 1.9% respectively. The decrease in revenue was mainly due to the adoption of a stricter project and customer selection criteria and accordingly fewer sales orders.

IBO Business

The revenue and gross profit of the Group's IBO business for the six months ended 30 June 2024 were approximately HK\$471.5 million (corresponding period of 2023: HK\$408.0 million) and approximately HK\$92.2 million (corresponding period of 2023: HK\$88.9 million) respectively. The increases in

revenue and gross profit of IBO business were mainly attributable to the contribution of the new power station in Indonesia and the increased generation of the power stations in Brazil, which was partly offset by the decrease in revenue from the power station in Myanmar.

Significant Investments

(i) *Tamar VPower Energy Fund I, L.P. (the “Fund”)*

The Group has 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 since 2018. The investment portfolio of the Fund remained the same as disclosed in the annual report of 2019. As at 30 June 2024, the Group’s total investment cost in the Fund was approximately HK\$819.0 million; and its carrying value was approximately HK\$696.0 million, representing around 11.6% of the Group’s total assets.

(ii) *CNTIC VPower Group Holdings Limited (“CNTIC VPower”)*

As at the 30 June 2023, the Group recognised its investment in CNTIC VPower at a cost of HK\$700.4 million as a significant investment. In the second half of 2023, the carrying value of such investment was dragged to zero by the substantial loss made by CNTIC VPower and it therefore was derecognised as a significant investment. Nevertheless, the management of the Group and CNTIC VPower continued to closely monitor the local conditions and explore feasible solution to recover the loss.

Outlook

While the overall electricity market is forecasted to rise driven by an improving economic outlook in both advanced and emerging countries, growing weather impacts on the power systems highlight the importance of electricity security. The flexible and responsive distributed power is a solution to guarantee stable supply, the growing demand for which represents numerous opportunities for the Group.

In face of the attractive industry landscape, the Group will continue its proactiveness in exploring new projects and stay vigilant to the evolving market conditions. In the short-term future, the Group will focus on the execution of newly awarded projects, including two gas-fired power projects in Indonesia and a gas-fired power project in Uzbekistan. By leveraging on its own industry know-how, decades of operational excellence and the extensive business network of the controlling shareholder and business partners, the Group will also keep looking for growth in existing markets and the right timing to enter into new markets, in particular those in Central Asia.

The Group is set to undergo a strategic business transformation to boost overall performance through increased revenue, lower operating costs, and higher resources efficiency. Among the diverse efforts, capital structure enhancement is placed at a prominent position of the Group’s agenda to control the finance cost and achieve a healthier financial position. It is in a discussion with its controlling shareholder on a disposal and leasing arrangement in respect of certain power generation assets, which is expected to generate immediate cash for the Group and enable better project portfolio management.

With the efficient implementation of the new projects and the efforts deployed on capital structure enhancement, the management is confident that the Group will resume business growth and continue to deliver value to its stakeholders.

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	
	2024	2023
	HK\$'000	HK\$'000
SI	345,074	590,141
IBO	<u>471,493</u>	<u>407,982</u>
Total	<u><u>816,567</u></u>	<u><u>998,123</u></u>

In the six months ended 30 June 2024, the Group recorded a revenue of approximately HK\$816.6 million, representing a decrease of 18.2% as compared with approximately HK\$998.1 million of the corresponding period in 2023. The decrease in revenue was due to the reduced revenue from SI business segments. 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			
	2024		2023	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Hong Kong and Chinese Mainland	168,942	20.7	72,763	7.3
Other Asian countries ⁽¹⁾	43,954	5.4	380,352	38.1
Other countries	<u>132,178</u>	<u>16.2</u>	<u>137,026</u>	<u>13.7</u>
Total	<u><u>345,074</u></u>	<u><u>42.3</u></u>	<u><u>590,141</u></u>	<u><u>59.1</u></u>

Note:

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

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			
	2024		2023	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Brazil ⁽¹⁾	357,013	43.7	309,808	31.1
Myanmar	52,612	6.4	68,175	6.8
Indonesia	48,404	5.9	14,439	1.4
China	12,769	1.6	14,572	1.5
United Kingdom	695	0.1	988	0.1
Total	<u>471,493</u>	<u>57.7</u>	<u>407,982</u>	<u>40.9</u>

Note:

(1) Revenue comprises amounts representing fuel cost expensed for off-takers.

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\$676.0 million for the six months ended 30 June 2024, representing a decrease of HK\$185.8 million as compared with approximately HK\$861.8 million of the corresponding period in 2023.

Gross profit and gross profit margin

	Six months ended 30 June			
	2024		2023	
	<i>HK\$'000</i>	<i>gross profit margin %</i>	<i>HK\$'000</i>	<i>gross profit margin %</i>
SI	48,372	14.0	47,468	8.0
IBO	92,177	19.6	88,898	21.8
Total	<u>140,549</u>	<u>17.2</u>	<u>136,366</u>	<u>13.7</u>

Gross profit of the Group was approximately HK\$140.6 million for the six months ended 30 June 2024, representing a slight increase of 3.1% as compared with approximately HK\$136.4 million of the corresponding period in 2023.

Gross profit margin for the six months ended 30 June 2024 rose to 17.2% from 13.7% of the corresponding period in 2023 which was mainly attributable to an improved gross profit margin of SI sales.

Loss before tax

For the six months ended 30 June 2024, the Group recorded a loss of approximately HK\$131.6 million as compared with a loss of approximately HK\$345.5 million of the corresponding period in 2023. It was mainly due to the decreases in administrative expenses and other expenses and no share of loss recorded from a joint venture with investments in Myanmar.

Other income and gains, net

In the six months ended 30 June 2024, other income and gains, net of the Group amounted to approximately HK\$30.8 million, representing an increase of 833.3% as compared with approximately HK\$3.3 million of the corresponding period in 2023. The increase was mainly attributable to fair value gain on derivative financial instruments during the six months ended 30 June 2024.

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 31.0% to HK\$5.6 million for the six months ended 30 June 2024.

Administrative expenses

Administrative expenses primarily consist of staff costs, legal and other professional fees, insurance expenses, demobilisation 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 2024, administrative expenses of the Group were approximately HK\$152.9 million, representing a decrease of 23.1% as compared with that of HK\$198.8 million in the corresponding period of 2023. The decrease was mainly due to a decrease in demobilisation expenses and depreciation charge.

Other expenses, net

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

In the six months ended 30 June 2024, other expenses, net were approximately HK\$7.8 million, which represented a decrease of 90.2% as compared with that of HK\$79.8 million in the corresponding period of 2023. The decrease was mainly attributable to the decrease in write-down of inventories to net realisable value.

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 2024, finance costs were approximately HK\$140.7 million, which represented an increase of 4.4% as compared with that of approximately HK\$134.8 million in the corresponding period of 2023. The increase was primarily due to the increase in average borrowing interest rate despite a decrease in total interest-bearing bank borrowing.

Income tax credit/expense

Income tax credit/expense of the Group primarily consists of income tax recoverable/payable by our subsidiaries in the PRC, Hong Kong, Brazil and Peru. For the six months period ended 30 June 2024, income tax expense was approximately HK\$6.7 million, as compared with the income tax credit of approximately HK\$17.9 million in the corresponding period of 2023.

The effective tax rate was not applicable during the six months ended 30 June 2024 and the corresponding period of 2023 as loss before tax.

Loss attributable to owners and loss per share

In the six months ended 30 June 2024, loss attributable to owners of the Company was approximately HK\$138.6 million, as compared with loss attributable to owners of the Company of approximately HK\$327.7 million in the corresponding period of 2023. Basic loss per share for the six months ended 30 June 2024 was HK2.08 cents as compared with that of HK12.19 cents in the corresponding period of 2023.

Liquidity, financial and capital resources

As at 30 June 2024, total current assets of the Group amounted to approximately HK\$2,961.4 million (31 December 2023: HK\$2,946.5 million). In terms of financial resources as at 30 June 2024, cash and cash equivalents of the Group were approximately HK\$253.2 million (31 December 2023: HK\$131.2 million).

As at 30 June 2024, total bank and other borrowings of the Group amounted to approximately HK\$2,374.3 million (31 December 2023: HK\$2,767.2 million), representing a decrease of approximately 14.2% as compared to that as at 31 December 2023. As at 30 June 2024, the Group's bank and other borrowings denominated in:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
United States dollars (“USD”)	2,022,093	2,310,133
Hong Kong dollars	122,270	132,039
Brazilian Real (“BRL”)	153,460	183,295
Euro	22,388	52,902
Renminbi (“RMB”)	54,129	77,878
Great British Pound (“GBP”)	—	8,791
United Arab Emirates Dirham (“AED”)	—	2,163
	<u>2,374,340</u>	<u>2,767,201</u>

As at 30 June 2024, the Group's current ratio was 0.7 (31 December 2023: 0.7). The Group's liabilities to assets ratio was 71.6% (31 December 2023: 69.8%). The Group's net gearing ratio was approximately 123.6% (31 December 2023: 139.2%).

Charge of assets

As at 30 June 2024, certain of the Group's inventories with a net book value of approximately HK\$147.7 million (31 December 2023: HK\$161.5 million), property, plant and equipment with a net book value of approximately HK\$124.8 million (31 December 2023: HK\$125.8 million), pledged deposit of \$0.8 million (31 December 2023: HK\$1.1 million) and equity interest of the Group in a subsidiary were charged for securing the Group's interest-bearing bank and other borrowings and the equity interest of the Group in Genrent del Peru S.A.C. was charged for securing its senior notes.

Exposure on foreign exchange fluctuations

The Group's revenue and payments are mainly in USD, Euro, BRL, Indonesian Rupiah (“IDR”), RMB, Myanmar Kyat (“MMK”), AED 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, AED and GBP. A majority of the Group's purchases are either in Euro or USD. During the six months ended 30 June 2024, 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 2024, the Group had no contingent liabilities (31 December 2023: Nil).

Capital Expenditures

For the six months ended 30 June 2024, the Group invested approximately HK\$25.5 million (31 December 2023: HK\$99.3 million) in property, plant and equipment of which HK\$25.5 million (31 December 2023: HK\$99.1 million) was for IBO projects.

TREASURY POLICY

The Group has implemented a treasury policy that aims at better controlling its treasury management and financial resources. The treasury policy requires the Group to maintain an adequate level of cash and cash equivalents and available banking facilities to support daily operations and funding needs. The policy is regularly reviewed and evaluated to ensure its adequacy and effectiveness.

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 2024.

EMPLOYEES

As at 30 June 2024, the Group had 366 employees (31 December 2023: 365). 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. 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 2024 (2023: Nil).

EVENT AFTER THE REPORTING PERIOD

There have been no significant event since the end of the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 30 June 2024, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all directors of the Company, 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 2024.

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

During the six months ended 30 June 2024, 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 2024.

PUBLICATION OF 2024 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company’s website at www.vpower.com under “Investor Relations” and the HKEXnews at www.hkexnews.hk under “Listed Company Information”. It is expected that the 2024 Interim Report will be despatched to shareholders of the Company and published on the aforesaid websites in September 2024.

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
Kang Hubiao
Chairman

Hong Kong, 15 August 2024

As at the date hereof, the Board comprises Dr. Kang Hubiao, Mr. Lam Yee Chun, Mr. Lu Weijun, Mr. Li Haifeng and Mr. Jin Jiantang as executive directors; Mr. Wong Kwok Yiu as a non-executive director; and Mr. Suen Wai Yu, Dr. Wang Zheng and Dr. Lin Tun as independent non-executive directors.