MECOM

POWER & CONSTRUCTION

澳能建設控股有限公司

MECOM Power and Construction Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1183

Annual Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek (Chairman)
Mr. Sou Kun Tou

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Dr. Ngan Matthew Man Wong

AUDIT COMMITTEE

Ms. Chan Po Yi, Patsy (Chairlady)
Mr. Cheung Kiu Cho, Vincent
Dr. Ngan Matthew Man Wong

REMUNERATION COMMITTEE

Dr. Ngan Matthew Man Wong (Chairman)
Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent

NOMINATION COMMITTEE

Mr. Cheung Kiu Cho, Vincent (Chairman)
Dr. Ngan Matthew Man Wong
Ms. Chan Po Yi, Patsy

COMPANY SECRETARY

Ms. Tam Wing Yee

AUTHORISED REPRESENTATIVES

Mr. Sou Kun Tou
Ms. Tam Wing Yee

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Units Q, R and S, 6/F
Praça Kin Heng Long-Heng Hoi Kuok
Kin Fu Kuok
No.258 Alameda Dr. Carlos D'Assumpção
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1909-13, 19th Floor
Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Macau law:
MdME | Lawyers | Private Notary
Avenida da Praia Grande
409 China Law Building
21/F and 23/F A-B
Macau

José Liu
Avenida da Amizade, nº 555
Landmark, 13º andar
Sala No. 1308
Macau

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
Cayman Islands

COMPLIANCE ADVISER

Innovax Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited
Tai Fung Bank Limited
China Guangfa Bank Co. Ltd, Macau Branch

STOCK CODE

1183

WEBSITE

www.mecommacau.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of MECOM Power and Construction Limited (the "Company"), I present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. This is the first annual report of the Company since the listing of its shares on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Over the years, the Group has focused on undertaking highly challenging and complex construction projects in Macau, particularly those involving structural steelworks, and also high voltage power substation construction works. It also provides facility management, alteration and maintenance works and services. It ranked fifth* among Macau-based construction contractors in the civil engineering market in Macau and second* in the high voltage power substation construction project market in the city. In 2017, building on its solid operational foundation, the Group actively expanded its business and greatly enhanced its efficiency. As a result, it achieved record high revenue of MOP658.7 million.

The Company was listed on the Main Board of the Stock Exchange on 13 February 2018 (the "Listing"), setting a new milestone in the development of the Group. The Listing has not only enlarged the Group's capital base, but, with the proceeds received from the global offering (the "Global Offering"), the Group will be able to capture the enormous opportunities arising from the second infrastructure boom in Macau and solidify its foundation for future development. The Listing has also enhanced the Group's corporate image and reputation, and also customers' confidence in and recognition for the Group.

With outstanding professional technological capability and extensive construction management experience, the Group is one of the few Macau-based construction companies capable of offering integrated construction engineering services and high voltage power substations construction services. It has participated in many large-scale and high profile structural steelworks and civil engineering construction projects and received numerous accolades for its undertakings. With regard to high voltage power sub-station construction and related system installation works, the Group is an industry leader, armed with strong professional expertise, and enjoys a good reputation in the industry. Furthermore, with its facility management, alteration and maintenance works and services complementing its two main business segments, the Group is able to offer complete one-stop solution to customers, while securing from the offering of those works and services a stable stream of revenue.

Chairman's Statement

Under the 13th Five-year Plan of China and Macau's own Five-year Plan starting in 2016, the Macau Special Administrative Region (the "Macau SAR") Government has strived to turn the city into a global tourism and leisure centre, push for diversification of its economy and enhance the development of non-gaming industries in the city. The Macau economy boomed after the liberalisation of the gaming industry. The Group believes it is the time to actively grasp at opportunities in the Macau economy and be ready to take flight again.

As an entertainment city in Southeastern China, Macau has positioned itself as a global tourism and leisure centre. It has many large hotels and entertainment facilities under construction and many existing hotels, casinos and other entertainment facilities are going through, or have plans for, upgrades and renovations. In addition, with the initiative of "Guangdong-Hong Kong-Macau Greater Bay Area" taking shape and infrastructure project like the Hong Kong-Zhuhai-Macau Link Bridge soon to open to traffic, construction of infrastructure in Macau will speed up. Moreover, the Macau SAR Government will step up reclamation projects to increase land supply. The New Town Reclamation Area will span approximately 350 hectares, giving the city sufficient land supply for meeting needs in the next two to three decades. New development undertakings covering residential areas, multi-functional areas and public facilities will push up demand for civil engineering services in Macau, and also accordingly boost the demand for electricity and facility management services.

Furthermore, Macau was hit last August by a super typhoon rare in its history and some infrastructure were damaged. Many reconstruction and repair projects are imminent waiting to begin. The Macau SAR Government has decided to build a new power plant and is also looking into upgrades of power substations in old districts. Such projects are expected to be launched gradually this year and in the coming years, and for the Group they represent enormous opportunities for its high voltage power substation construction and system installation works businesses. The Group has made a bid for the power generator system project at Companhia de Electricidade de Macau's power plant in Coloane. It will also actively pursue other high voltage power substation and related engineering projects.

With many factors working in its favour, and new projects to come one after another, the Group, on its boosted capital base, will actively take part in public and private project tenders. On top of having long term and stable cooperative relationship with customers and subcontractors, the Group also boasts extensive experience in participating in renowned casinos and world-class hotel building projects. Thus, the management has full confidence in the Group undertaking more large-scale projects in the future.

To help it seize market opportunities, the Group plans to acquire a warehouse of around 15,000 square feet in the northern district in Macau to upgrade warehousing facilities for its equipment and materials. It also intends to purchase more equipment to help boost the overall efficiency and production capacity of the Group's construction operations. In addition, it will hire more staff, improve management and optimise its competitive advantages.

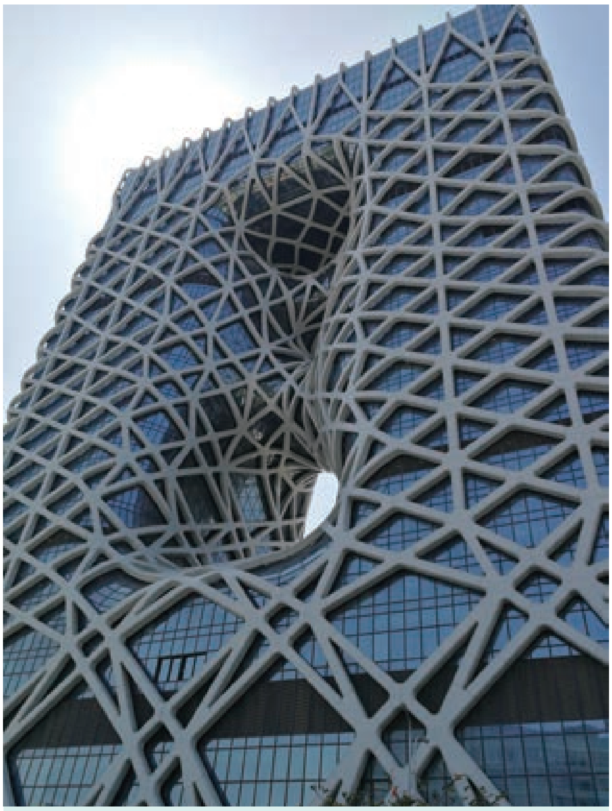
Last but not least, on behalf of the Board and the management of the Group, I would like to express my gratitude to all employees for their diligence during the year, and to our shareholders, investors, customers, suppliers and partners for their strong support. Looking ahead, the Group will continue to consolidate its industry leadership and realise sustainable growth, while generating satisfactory returns for shareholders.

Kuok Lam Sek
Chairman
29 March 2018

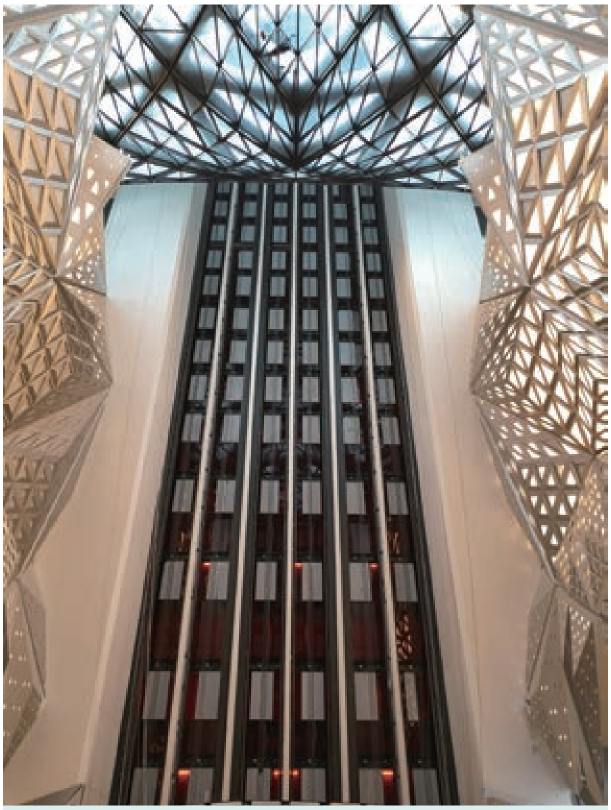
* Sources: Frost & Sullivan market research report, based on the Group's revenue generated from such business in 2016

Management Discussion and Analysis

STRUCTURAL STEELWORKS, CIVIL ENGINEERING CONSTRUCTION, AND FITTING OUT AND RENOVATION WORKS



The world's first free-form exoskeleton skyscraper luxury hotel



Supply and installation of the internal atrium package and exoskeleton

Management Discussion and Analysis

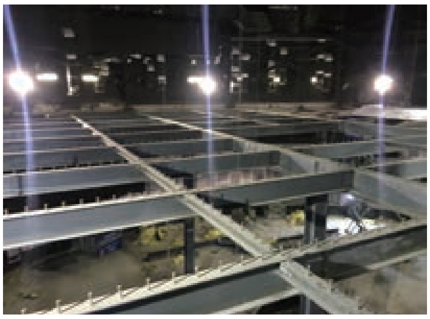
STRUCTURAL STEELWORKS, CIVIL ENGINEERING CONSTRUCTION, AND FITTING OUT AND RENOVATION WORKS *(Continued)*

A substructural steelworks construction project for a well-known hotel casino in Sé, Macau

Management Discussion and Analysis

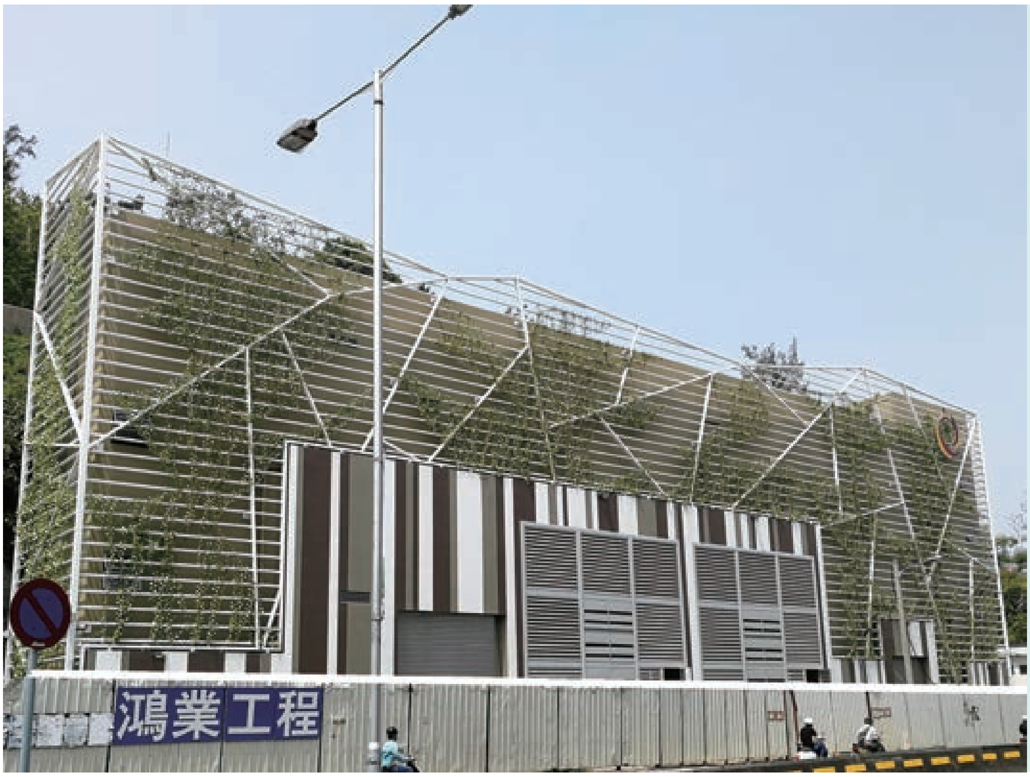
STRUCTURAL STEELWORKS, CIVIL ENGINEERING CONSTRUCTION, AND FITTING OUT AND RENOVATION WORKS *(Continued)*

Renovation works in major casinos



Management Discussion and Analysis

HIGH VOLTAGE POWER SUBSTATION CONSTRUCTION AND ITS SYSTEM INSTALLATION WORKS



High voltage power substation construction projects for a Macau hospital

Power distribution system services and works for the Hong Kong-Zhuhai-Macau Link Bridge – Macau Port of Entry (Customs and Immigration)

Management Discussion and Analysis

FACILITIES MANAGEMENT, ALTERATION AND MAINTENANCE WORKS AND SERVICES

New facility management agreement with a hotel operator

Provision of operation and maintenance services for energy centres of hotel complex

Management Discussion and Analysis

BUSINESS REVIEW

The year 2017 was a strategically significant year for the Group during which the Group has actively expanded its business which helped boost its revenue to a record high at MOP658.7 million. As the Macau market has continued to boom, to capture the related opportunities, the Group has prepared for the Listing in 2017 hoping to enlarge its capital base. The Company was listed on the Main Board of the Stock Exchange on 13 February 2018, marking a new chapter in its development and solidifying its foundation for future growth.

During the year under review, key economies around the world have experienced stable growth and statistical indicators also indicated an ongoing stable recovery. Closer to home, Macau was ravaged in last August by super typhoon Hato and the devastation caused by the typhoon was seen everywhere in the city. Thanks to the concerted effort of the citizens in Macau, life in the city has quickly returned to normal. In the aftermath of Hato, many planned large-scale construction projects and post-typhoon repair projects have commenced one after the other.

As at 31 December 2017, the Group had 49 projects on hand, including the 110/11kV high voltage power substation of E&M works contract for the theme park of the first casino gaming operator in Macau as part of a consortium with its power projects partner, and the high voltage power substation contract for Macau's light rail transit system.

In 2017, total revenue from the Group's three business segments namely structural steelworks, civil engineering construction and fitting out and renovation works; high voltage power substation construction and its system installation works; and facilities management, alteration and maintenance works and services amounted to MOP658.7 million, a surge of 41.7% when compared with MOP464.9 million recorded in the year ended 31 December 2016. The increase was mainly attributable to the growth in revenue from structural steelworks, civil engineering construction, and fitting out and renovation works. However, part of the growth was offset by the drop in revenue from high voltage power substation construction and its system installation works.

Gross profit in 2017 was MOP127.3 million, an increase of 30.9% when compared with MOP97.2 million in 2016. Gross profit margin was 19.3% (2016: 20.9%). Profit for the year amounted to MOP78.2 million, 15.0% higher than that of MOP68.0 million recorded in 2016. Excluding the one-off listing expense of MOP13.6 million, the adjusted profit for the year in 2017 would have been MOP91.8 million, representing a growth of 35.0%. Net profit margin and adjusted net profit margin was 11.9% and 13.9% respectively (2016: net profit margin of 14.6%).

Segment Analysis

Structural Steelworks, Civil Engineering Construction, and Fitting Out and Renovation Works

The Group's structural steelworks services generally involve the provision of customised and target-oriented steel structure erection services which typically consist of structural steelworks, concreting and builder works, using a suitable combination of each to produce an efficient structure. Civil engineering construction services generally involve demolition, ground field investigation, site formation and foundation works, as well as substructures and superstructures, roads and drainage. Fitting out and renovation works generally involves the provision of alteration, renovation and upgrading works of various types, including preparation of shop drawings, modification, removal and installation of equipment and general renovation works.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Segment Analysis *(Continued)*

Structural Steelworks, Civil Engineering Construction, and Fitting Out and Renovation Works (Continued)

During the year under review, revenue from structural steelworks, civil engineering construction, and fitting out and renovation works was MOP507.1 million, an increase of 117.0% year-on-year and accounted for 77.0% of the Group's total revenue. The increase was primarily attributable to the substantial progress achieved in the large-scale structural steelworks and civil engineering construction projects during the year under review, leading to a notable growth in revenue recognised. The Group has adopted a more competitive pricing strategy in submitting bids in order to secure more projects. Thus, gross profit margin has been correspondingly affected. Nonetheless, the Group still believes winning more projects is conducive to its overall development. Therefore, it will strive to strike a balance and maintain a reasonable gross profit margin.

High Voltage Power Substation Construction and Its System Installation Works

The Group's high voltage power substation construction and its system installation works generally involve the provision of the planning, scheduling, project management and construction of customised and technologically advanced high-voltage substations and complex power transmission infrastructure with installation of high voltage power system. During the year under review, revenue from high voltage power substation construction and its system installation works amounted to MOP91.4 million, a decrease of 51.0% when compared with 2016, accounting for 13.9% of the Group's total revenue. The decrease was mainly due to the substantial completion of two large-scale high voltage power substation construction projects for a Macau hospital and a resort hotel in Cotai, Macau in 2016.

Facilities Management, Alteration and Maintenance Works and Services

The Group's facilities management, alteration and maintenance works and services generally involve the provision of facilities operation and maintenance management, alteration, upgrading, maintenance works and emergency repairs of a variety of buildings, properties and their components (especially for hotels and resorts) and high voltage power substations and its systems. During the year under review, the Group entered into a new facility management agreement with a hotel operator in July 2017 thereby benefitting from the increasing demand in Macau for facilities management and related works and services. Revenue recorded a year-on-year growth of 35.2% to MOP60.2 million, accounting for 9.1% in the Group's total revenue in 2017.

Prospects

Taking advantage of the national policies and holistic planning of its government, the Macau economy will take another flight following the economic boom powered by the opening of the gaming industry in the city. The Group believes these opportunities will also present enormous development potential to its integrated construction engineering and high voltage power substation construction and system installation services.

Under the 13th Five-year Plan of China, Macau is positioned as a globally renowned tourism and leisure centre. The Macau SAR Government has further promoted the development of large-scale infrastructure, hotel and resort projects. As the gaming licences are to be put up for re-auction upon their expiration, the Macau SAR Government is expected to announce details of the re-auction in mid-2018. At the behest of the government to develop non-gaming businesses, hotel and entertainment facilities, operators are expected to step up investment in related fields and launch a variety of large-scale projects for hotels and entertainment facilities. Besides, existing hotels, casinos and other entertainment venues would also undergo upgrade and renovation.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Prospects *(Continued)*

To complement the future social and economic development of Macau, the Macau SAR Government will step up reclamation projects to increase land supply. The New Town Reclamation Area will span approximately 350 hectares in five zones, giving the city sufficient land supply for meeting needs in the next two to three decades. New development undertakings will cover commercial and residential communities, diversified industrial land parcels and public use facilities such as a waterfront park. The reclamation works in the B zone covering 47 hectares was the first to achieve completion and the land will be used for road infrastructure, travel and leisure and public construction purposes and for building commercial and residential communities. Apart from increasing land resources by way of reclamation, the Macau SAR Government also aims to strengthen the planning, development and management of land. In sum, Macau's integrated construction engineering market presents huge development potential to the Group in the long run.

Power consumption in Macau has been surging along with the increasing population and continuous economic growth in the city. Building new power substations and upgrading old ones have become a dominant feature, and introducing intelligent substations that are capable of improving equipment management efficiency will be a core strategy for the city. With strong support from the Chinese government and the Macau SAR Government, the proportion of renewable energy consumption (including wind power and solar power) will rise in Macau. Higher requirements on power substations will be implemented in order to maintain the stability of power transmission and distribution. After the typhoon disaster last August, the Macau SAR Government has decided to build a new power plant and is also investigating upgrade of power substations in old districts. The decision has stimulated huge demand for high voltage power substation construction and system installation works. As a key player in the industry, the Group intends to seize this opportunity and actively participate in the tenders for related projects.

In view of the higher living standards and growing number of high-end residential and commercial buildings becoming available in the market, together with the expanding scope and quality of facilities management services and rapid technological advancement, the operation of facilities management services needs to incorporate technologies such as digitalised systems and mobile APPs. Property owners consider advanced management systems an effective method to improve the efficiency as well as the functionality of facilities operation and achieve higher safety levels and a better end-user experience which will in turn help increase the asset value of the properties. Thus, professional facilities management services are set to benefit from the completion of new projects in Macau and the higher expectations on property management standards from users. These factors combine to present a favourable situation for the Group's facilities management, alteration and maintenance works and services. It will strive to secure more customers and establish a stable alternative source of income for this business segment.

The Group aims to maximise the favourable operating environment and actively participate in bidding to expand its businesses and scale of operation, as well as add new facilities, new machines and hire additional staff in order to enlarge its share in the potentially lucrative Macau market. As stated in the Company's prospectus (the "Prospectus") dated 1 February 2018, the Group plans to purchase a warehouse in the northern region of Macau with a total site area of not more than 15,000 sq ft to strengthen its storage facilities for materials. It is also upgrading machinery and equipment to enhance construction capability. The Group in fact deploys specialised machinery including mobile cranes, material hoists and high voltage testing equipment to a great extent in its infrastructure, hotel and resort projects. It believes investing in such machinery and equipment places it in an advantageous position to cater for construction works of different scale and complexity and to meet the expected growing demand in Macau's construction industry going forward. Expertise and experience are also crucial to the Group's construction and contractor business development. Hence, in addition to the investment in facilities and machinery, the Group also plans to expand its workforce by hiring more project management and execution staff such as project managers, supervisors, engineers and skilled workers to improve its overall professional technology level and help it stand out in the market with excellent technological advantages.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Use of Proceeds from the Global Offering

Listing of the Company's shares has commenced on the Stock Exchange on 13 February 2018 (the "Listing Date"). Net proceeds from the Global Offering were HK$261.6 million, which, as stated in the Prospectus, will be used for (i) financing the issuance of performance bonds when undertaking new projects; (ii) establishing storage facilities; (iii) recruiting additional staff; (iv) acquiring additional machinery; and (v) working capital.

From the Listing Date to the date of this report, the Group has not utilised any of the net proceeds from the Listing.

FINANCIAL REVIEW

Revenue

Our revenue increased by MOP193.8 million, or 41.7%, from MOP464.9 million for 2016 to MOP658.7 million for 2017, which was primarily attributable to the combined effect of the following:

(i) *Structural steelworks, civil engineering construction, and fitting out and renovation works*

Our revenue from structural steelworks, civil engineering construction, and fitting out and renovation works increased by MOP273.4 million, or 117.0%, from MOP233.7 million for 2016 to MOP507.1 million for 2017. Such increase was mainly due to the revenue generated from our three large-scale projects in this business stream awarded/commenced in April and November 2016, namely (i) the site management project and a high end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel; and (ii) a substructural steelworks construction project for a well-known hotel casino in Sé, Macau, which aggregately contributed the revenue of MOP279.8 million for 2017.

(ii) *High voltage power substation construction and its system installation works*

Our revenue from high voltage power substation construction and its system installation works decreased by MOP95.3 million, or 51.0%, from MOP186.7 million for 2016 to MOP91.4 million for 2017. Such decrease was mainly due to the substantial completion of two large-scale high voltage power substation construction projects for a Macau hospital and a resort hotel in Cotai, Macau in 2016.

(iii) *Facilities management, alteration and maintenance works and services*

Our revenue from facilities management, alteration and maintenance works and services increased by MOP15.7 million, or 35.2%, from MOP44.5 million for 2016 to MOP60.2 million for 2017. Such increase was mainly due to the commencement of certain new hotel and casino high/mid/low voltage power system facilities management and maintenance works and services in 2017.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Cost of services

Our cost of services increased by MOP163.8 million, or 44.6%, from MOP367.6 million for 2016 to MOP531.4 million for 2017, which was primarily in line with an increase in our revenue, and mainly reflected by an increase in our subcontracting costs by MOP195.8 million, or 129.2%, from MOP151.5 million for 2016 to MOP347.3 million for 2017 mainly due to more subcontracting works were used for a high-end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel, partially offset by a decrease in our material costs by MOP70.9 million, or 52.1%, from MOP136.2 million for 2016 to MOP65.3 million for 2017.

Gross profit and gross profit margin

Our gross profit increased by 30.9% from MOP97.2 million for 2016 to MOP127.3 million for 2017, which was primarily attributable to an increase in our revenue. The fluctuation of our gross profit of each of our business streams also followed the fluctuation of our revenue of each of our business streams.

The gross margin of our structural steelworks, civil engineering construction, and fitting out and renovation works decreased from 26.0% for 2016 to 21.9% for 2017 primarily attributable to the adoption of a more competitive pricing strategy in tendering our large-scale projects awarded in the second half of 2016 in this business stream in the view of the keen market competition.

The gross margin of our high voltage power substation construction and its system installation works decreased from 12.9% for 2016 to 8.8% for 2017 primarily attributable to decrease in our revenue from high voltage power substation construction and its system installation works.

The gross margin of our facilities management, alteration and maintenance works and services decreased from 27.8% for 2016 to 13.5% for 2017 primarily attributable to less materials and components used for our repair and maintenance services for 2016.

Owing to the decrease in the gross margins of each of our business streams as mentioned above, our overall gross margin decreased from 20.9% for 2016 to 19.3% for 2017.

Other income

Our other revenue for 2017 amounted to MOP0.5 million, which consisted of bank interest income.

Other losses

Our other losses for 2017 consisted of net foreign exchange loss.

Administrative expenses

Our administrative expenses increased by 88.2% from MOP14.6 million for 2016 to MOP27.5 million for 2017 primarily attributable to an increase in our staff costs mainly due to the increment of headcount and the recognition of our Directors' emoluments of MOP4.9 million for 2017.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Listing expenses

Listing expenses of MOP13.6 million was charged to profit or loss for 2017.

Income tax expense

Our income tax expense decreased by 43.2% from MOP14.9 million for 2016 to MOP8.5 million for 2017 primarily due to reversal of overprovision of MOP5.0 million in prior years.

Profit for the year

Our profit for the year increased by 15.0% from MOP68.0 million for 2016 to MOP78.2 million for 2017 primarily attributable to (i) the combined effect of the abovementioned items; and (ii) the recognition of our listing expenses of MOP13.6 million for 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are some principal risks and uncertainties facing the Group, which may materially adversely affect its business, financial condition or results of operations:

Underestimation of Tender Price and Project Cost Overruns

The Group determines the tender price based on our estimation of time, resources to be deployed and costs to be incurred plus a profit margin. There is no assurance that the actual time and costs involved would not exceed our estimation. Depending on the nature and complexity of a particular project, most construction projects last for at least three to 24 months in general, and the process may be prolonged due to unforeseen factors. There is no assurance that we can estimate with absolute certainty, when we submit our tender, the amount of resources to be deployed and the total costs to be incurred.

Furthermore, construction projects are subject to certain factors that are beyond our control, including adverse weather conditions, labour shortage, variations in labour and equipment productivity, shortage and/or price fluctuations of raw materials, natural disasters, as well as unforeseen changes and developments in the project conditions. Any delay in completing the project would inevitably increase the risk of cost overruns. Should there be any cost underestimations or overruns or we fail to recover the additional costs arising from any change in work scope required by our customers, we may result in lower profits or even a loss despite any buffer we may have built into the contract value to safeguard against cost overruns.

Uncertain external factor

The Group is established, and all our operations and assets are located, in Macau. Accordingly, our financial condition, results of operations and prospects are dependent upon the continued availability of major construction projects which will be in turn determined by a variety of factors, including the prevailing economic, political and social conditions of Macau, the Macau government's policies on the construction industry and overall development plan of Macau, and the potential investments of property developers and land owners in Macau. These factors may affect the availability of construction projects from the public and private sectors in Macau. Should the demand for construction projects in Macau deteriorate, our business, financial conditions and results of operations would be adversely affected.

For more details of the above principal risks and uncertainties and other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

Management Discussion and Analysis

KEY PERFORMANCE INDICATORS ("KPIs") WITH THE STRATEGY OF THE GROUP

The Group sets a number of KPIs to support the delivery of its strategies with its performance, including the followings, and others in respect of environment, social and governance matters which are discussed in the Environmental, Social and Governance ("ESG") Report (the "Report") on pages 19 to 21 of this annual report.

Strategy	KPIs	Performance
Maximise value for the Shareholders	Gross profit margin = 19.3% (2016: 20.9%) Return on equity = 38.7% (2016: 41.2%)	The Group managed to maintain stable and positive operation performance during the Year by effectively controlling costs and significantly enhancing the Group's management efficiency.
Improve the Group's liquidity	Net cash from operating activities = MOP63.8 million (2016: MOP79.5 million) Bank balances and cash (excluding pledged bank deposits) = MOP165.9 million (2016: MOP107.4 million)	The Group adopts a policy to regularly monitor the liquidity requirements of the Group and the Group's compliance with covenants on credit facilities so as to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet the liquidity requirements of the Group in the short and longer term.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2017	2016
	MOP'000	MOP'000
Current assets	**417,395**	291,315
Current liabilities	**231,093**	142,259
Current ratio	**1.8**	2.0

As at 31 December 2017, the Group had net current assets of MOP186.3 million (2016: MOP149.1 million). The current ratio of the Group at 31 December 2017 was 1.8 (2016: 2.0).

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows. As at 31 December 2017, our bank balances and cash were MOP165.9 million (2016: MOP107.4 million). The unutilised credit facilities is MOP309.7 million (2016: MOP173.6 million) as at 31 December 2017.

Gearing ratio

Gearing ratio was calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end. As at 31 December 2017, the Group had no bank borrowings (2016: Nil) and the Group's gearing ratio is zero (2016: zero).

Management Discussion and Analysis

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2017. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 31 December 2017, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year. Save as disclosed in the above section headed "Use of Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 31 December 2017.

PLEDGE OF ASSETS

As at 31 December 2017, the Group had bank deposits, amounting to MOP41.1 million (2016: MOP26.5 million), that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017.

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premise and warehouses. The Group's operating lease commitments amounted to approximately MOP328,000 (2016: MOP252,000) as at 31 December 2017.

As at 31 December 2017, the Group did not have any significant capital commitments (2016: MOP3,966,000).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group has 541 employees in Hong Kong and Macau. The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong and Macau. The remuneration offered to employees generally includes salaries, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority.

The Company has adopted a share option scheme (the "Share Option Scheme") on 23 January 2018, which was effective upon the Listing. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. A summary of the principal terms of the Share Option Scheme is set out in the Prospectus. Since the Listing Date up to 29 March 2018, being the date of this report, no option has been granted to any eligible participant pursuant to the Share Option Scheme.

FUTURE PROSPECTS

The Listing marked an important milestone in the history of the Group and opened up good opportunities for the Group's future development in the construction industry. With the Listing and taking into account the ongoing dedication of the government of Macau to upgrading Macau's infrastructure, the Board is optimistic that the Group can maintain steady growth in net profit and scale of operations due to its long established reputation, experience and proven ability in the industry.

Environmental, Social and Governance Report

As a property and construction builder, the Group is committed to generating long-term value for our stakeholders through integration of environmentally sustainable principles into our operations. Our goal is to provide a product of the highest quality to our customers while maintaining an utmost respect for our community and environment. As such, it is with great pleasure for us to present the Group's first ESG Report for the fiscal year between January 1 and December 31, 2017 ("Reporting Period"). The Report marks a milestone in the Group's commitment to our environmental, social and corporate governance achievements and future initiatives.

The Board has the overall responsibilities for the Group's ESG strategies and reporting including the ESG risk management and internal control systems to ensure that ESG strategies and reporting requirements are met in accordance to provisions set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the table below, we have identified and summarized key ESG matters that we have assessed are material to the Group's business and its stakeholders.

Listing Rules' ESG Guide Reference		Key ESG Matters
A.	**Environment**	
A1:	Emissions	• Air emissions • Greenhouse gas emissions • Waste management
A2:	Use of Resources	• Energy consumption
A3:	The Environment and Natural Resources	• Environmental impact management
B.	**Social**	
B1:	Employment	• Human resource management
B2:	Health and Safety	• Workplace health and safety
B3:	Development and Training	• Employee development and training
B4:	Labour Standards	• Prevention of child and forced labour
B5:	Supply Chain Management	• Responsible supply chain selection and management
B6.	Product Responsibility	• Product and service quality
B7.	Anti-Corruption	• Anti-corruption and money laundering
B8.	Community Investment	• Community programs and donations

A. ENVIRONMENT

A1: Emissions

With the growing concerns for greenhouse gas emissions and climate change, we strive to reduce the impact we bring to the environment through environmentally friendly business practices in order to minimize our emissions and carbon footprint. Through Group-wide initiatives and policies, we purchased and used only Macau government emissions certified vehicles and trained our staff members, including construction site workers of raising pollution awareness to shut down heavy machineries and motor vehicles during idle to help ease unnecessary fuel consumptions and harmful emissions. Though the types of hazardous and non-hazardous wastes produced from our operations are limited, we have nonetheless have pushed for and adopted to recycling the wastes we produced through reallocation of resources. Hazardous wastes, such as paints, generated from construction work sites are returned to the suppliers for recycling or are kept at the Group's warehouse, along with other non-hazardous wastes such as construction metal parts and pipes, for reuse in the next project. The Group maintained a suitable database of vehicle and fuel types used, as well as wastes produced for the purpose of calculating emissions released through usage of vehicles and wastes generated. During the Reporting Period, the Group has emitted approximately 46 tons of carbon dioxides through our indirect use of energy such as purchased electricity and paper wastes disposed at landfills. Lastly, the Group is not aware of any non-compliance with the laws and regulations in relation to the environment protection and pollution of the Macau SAR such as the "Basic Law of Macau – Law No. 2/91/M" also known as the environmental law and series of international conventions in related field applicable to Macau and "Prevention and Control of Environmental Noise – Law No.8/2014".

Environmental, Social and Governance Report

A. ENVIRONMENT *(Continued)*

A2: Use of Resources

As in many Asia-Pacific regions, the major source of electricity produced in Macau are through the use of fossil fuels such as coal. In turn, the use of electricity in office premises contribute in part to the greenhouse gases produced from our daily operations. As a result, we have thus replaced the majority of our ceiling incandescent and fluorescent lightbulbs in our office with Light Emitting Diodes ("LED") in an effort to help cut back on electricity consumptions by at least 20% when compared to Compact Fluorescent Lamps ("CLP"). During the Reporting period, the Group has consumed a total of 22,382 kWh of electricity with an averaged consumption of 102kWh/m^2 in our office premises. In addition, as part of the Group's daily operations when planning and executing our projects, many of our construction drawings, tender documents and reports are required to be printed onto hardcopy papers for easier reading and referencing. To help reduce the impact of paper consumption, staff members are encouraged to print double sided, reuse and recycle papers whenever possible; resulting in a consumption of approximately 4.85 tons of non-hazardous paper wastes during the Reporting Period. The Group did not incur significant water usage nor packaging materials in our operations during the Reporting Period. Nevertheless, employees are encouraged to use water diligently and to turn off water taps when not in use.

A3. The Environment and Natural Resources

In addition to the above mentioned environmental impacts, other minor impacts such as light and noise pollutions from construction sites were also taken into account during our project planning and execution phase in order to reduce our environmental footprint. To achieve this, we worked closely together with our customers and subcontractors to establish a peer monitoring system of environmental targets and imposing preventive measures to mitigate environmental risks we set forth to attaining business sustainability. Any non-compliances against the environmental laws and regulations of the Macau SAR will be discussed and resolved in a professional manner.

B. SOCIAL

B1: Employment

Our Group understands that people are the most valuable asset of our business and the foundation on which we build our success upon of meeting customers' needs, driving innovations and fulfilling targets. While promoting equal opportunities in the workplace through leading by example, the Group has also developed various policies and procedures to govern human resources designed to deliver a systematic and articular approach of managing our people including, but not limited to, employment, dismissal, remunerations, performance assessments, working hours, paid leaves and employee benefits. Additionally, we also strive to achieve workforce diversity through recruitment programs to hire foreign workers of different cultural, gender and religious backgrounds. Lastly, our management is responsible for ensuring that all applicable labour and employments laws and standards of the Macau SAR, such as the "Framework Law on Employment Policy and Workers' Rights – Law No. 4/98/M", "Labor Relation Law – Law No. 7/2008", and "Law for Employment of Non-resident Workers – Law No. 21/2009", are followed.

B2: Health and Safety & B3: Development and Training

The Group enforces work safety vigorously and strictly follows the mandate of safeties first at our construction sites. Our Group has implemented various safety controls such as peer monitoring and spot-check performed by site supervisors and project managers to help ensure that safety requirements are closely abide to by construction workers. We strongly believe that accident prevention through awareness training to be the cornerstone of our work safety programs. Every employee at the Group are provided with safety and environmental trainings to encourage personal responsibilities when planning and conducting their work activities in a safe and professional manner. Health, safety and environmental meetings were also held on a monthly basis to review and discuss any safety inefficiencies and issues identified on construction work sites. In addition, the Group's management together with project teams also helps to ensure the Group are in compliance with the legal frameworks in relation to construction works such as the "Occupational Noise Regulation – Law No. 34/93M", "Industrial Safety and Hygiene Regulation for Construction – Law No.44/91M", and "Hygiene and Safety Regulation for Industrial Workshops – Law No.57/82M".

Environmental, Social and Governance Report

B. SOCIAL *(Continued)*

B4: Labour Standards

The Group strictly prohibits the hiring of child, who are under the employment age set forth in the Macau labour laws, and forced labor, who are under abuse, involuntary servitude or involved in human trafficking. The Group have different controls in place during the recruitment process to help ensure that the right candidate with legitimate backgrounds are hired. Each of our employees are also required to enter into a contractual agreement with us, accepting all terms and conditions, disclosures and requirements of the Macau labour laws. The Group is not aware of any non-compliance with the prevention of child and forced labour related laws and regulation of the Macau SAR such as the "Labour Relations Law – Law No. 7/2008" and "The Law for Employment of Non-Resident Workers – Law No. 21/2009".

B5: Supply Chain Management

As the Group strives to provide its customers with the highest quality standards and products, our partnering suppliers and subcontractors must also share the same goals and visions as us. We have developed long term co-operative and business relationships with our suppliers and subcontractors, of strength and good reputation. Suppliers and subcontractors are assessed continuously on their performances, safety records, non-compliance track records and environmental awareness, with only the strongest partners remain to conduct business with the Group.

B6: Project Responsibilities

It is paramount that only the highest quality products are delivered to our customers in order to continually build our relationships and to expand our businesses into greater heights. Both our senior management and project managers are responsible for the monitoring and oversighting of project qualities to help ensure that customer expectations are met with on-going communications. In addition to delivering high quality products to our customers, the Group is also responsible for the compliance of Macau SAR's health and safety laws, that all workers are protected against working hazards. The Group has not identified any non-compliances relating to the health and safety laws enforced in its operating region of Macau SAR Lastly, as many of the Group's business transactions are sourced directly through our customers' open tender procedures, all data and information are treated and kept privately allowing only limited access to designated employees.

B7: Anti-corruption

Bribery, extortion, fraud and money laundering activities are strictly forbidden and prohibited by the Group. The Group's management has designed different framework and policies to help ensure that its employees are following the highest standards of business and personal integrity, as well as ethical behavior. To help achieve this goal, the Group maintains a Code of Business Conduct and Ethics Handbook, Anti-Bribery Policy, Anti-Corruption Policy and Conflict of Interest Policy that are distributed to all employees, including senior management, upon joining the Group. The Group is not aware of any non-compliances relating to dishonest activities according to the Macau SAR's Penal Code.

B8: Community Investment

Our Group strongly believes in the concept of community co-building to help create a coherent and harmonious community. As the Group intends to lead by example of demonstrating the importance of community investment, we continue to encourage our employees, including management, to actively participate in or plan for different community initiatives through volunteering events to give back to their communities through donations of unused office equipment, charity runs to help raise funding for the needed and plantation programs to help minimize carbon footprints while rising community awareness of climate change.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek, aged 55, is an executive Director, the chairman of the Board and the founder of the Group. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Kuok is responsible for the overall management and strategic planning of the Group.

Mr. Kuok has over 35 years of experience in the construction industry. Prior to establishing Engenharia Hung Yip, Mr. Kuok worked as a contractor worker in various construction contractors in Macau, where he commenced his career in the engineering and construction industry. In December 2000, Mr. Kuok founded Engenharia Hung Yip which was then engaged in the steel structure works, where he served as a director and was responsible for the project management and management of various kinds of large scale construction projects (including construction work for the 4th East Asian Games in Macau).

Mr. Sou Kun Tou, aged 51, is an executive Director, the deputy chairman of the Board and the chief executive officer of the Company. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Sou is responsible for the day-to-day business operations of the Group.

Mr. Sou has over 29 years of experience in the construction industry. Prior to joining the Group, Mr. Sou served as an assistant engineer at the planning and development department of Macau Water Supply Co., Ltd., a company which is engaged in water treatment, from August 1988 to December 1989 where he was primarily responsible for assisting engineers in engineering related works. From December 1989 to September 1994, Mr. Sou served as the general manager at Decol Ltd., a provider primarily engaged in electrical and mechanical services work, where he was primarily responsible for designing and managing electrical and mechanical projects. From October 1994 to November 2006, Mr. Sou held various positions at the Macau government and last served as the Chiefe de Divisao de Equipamentos Urbanos, Deste Instituto (民政總處設備處處長) and was primarily responsible for overseeing electrical and mechanical matters.

Mr. Sou obtained his bachelor's degree of precision mechanical engineering, majoring in mechanical manufacturing technology and equipment, from Huaqiao University in China in July 1988. He obtained his master of electromechanical engineering from the Universidade de Macau in August 2002. Mr. Sou was admitted as an engineer by DSSOPT (土地工務運輸司) in May 1991.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy, aged 53, was appointed as an independent non-executive Director on 23 January 2018, and is the chairlady of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Ms. Chan is currently the chief operating officer of Richemont Luxury (Singapore) Pte Ltd., where she is responsible for overseeing its operations in Singapore. She has been working with Richemont Luxury Group, one of the global luxury goods companies, for over 20 years. With more than 20 years of experience in several prestigious multinational corporations, Ms. Chan leads such company in maximising operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning and performance measurement development. Prior to joining Richemont Luxury Group, Ms. Chan served as the financial controller at Marsh & McLennan Limited, a global professional services firm, where she was primarily responsible for the financial control.

Ms. Chan holds a Bachelor Degree of Commerce in Accounting from the University of New South Wales and completed the Luxury Brand Management Executive Program at ESSEC Business School. She has been a certified practicing accountant of CPA Australia since October 1992.

Mr. Cheung Kiu Cho, Vincent, aged 42, was appointed as an independent non-executive Director on 23 January 2018, and is the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee of the Company.

Mr. Cheung has over 20 years of experience in real estate industry and assets valuations section. Mr. Cheung is currently the deputy managing director of valuation and advisory services division in Asia at Colliers International (Hong Kong) Limited, a global real estate firm, where he is responsible for providing valuation and corporate advisory services across Asia and has advised his clients in various acquisition and disposal of construction projects.

Mr. Cheung holds a Master Degree of Business Administration in International Management from the University of London (in association with Royal Holloway and Bedford New College) and a Bachelor of Science Degree (Honours) in Real Estate from the Hong Kong Polytechnic University. Mr Cheung is a Registered Professional Surveyor in the General Practice Division by the Surveyors Registration Board in Hong Kong, member of the Hong Kong Institute of Surveyors and fellow member of the Royal Institution of Chartered Surveyors. Mr Cheung is also a member of Hong Kong Securities and Investment Institute.

Dr. Ngan Matthew Man Wong, aged 78, was appointed as an independent non-executive Director on 23 January 2018, and is the chairman of the Remuneration Committee and a member of the Nomination Committee and Audit Committee of the Company.

Dr. Ngan is a registered doctor and has been practicing medicine for almost 40 years specialising in radiology. From July 2001 to September 2002, Dr. Ngan served as the chief executive officer of Sonic Healthcare Asia Limited, a healthcare organisation, where he was responsible for radiological matters in Hong Kong. Dr. Ngan has been appointed as medical consultant of various private medical institutions, including iRad Medical Diagnostic Center in Hong Kong since 2005.

Dr. Ngan holds a Master Degree of Pain Medicine from the University of Newcastle in Australia and a Bachelor Degree of Medicine and Bachelor Degree of Surgery from the University of New South Wales and a Diploma in Diagnostic Radiology from the University of Sydney. Dr. Ngan is a Registered Medical Practitioner of the Medical Council in Hong Kong and a Registered Specialist in Diagnostic Radiology in Australia and a member of the Radiological Society of North America.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lam Kuok Wa, aged 44, is the chief operating officer and is primarily responsible for project management and supervision of the construction. Mr. Lam has over 20 years of experience in the civil engineering industry and he joined the Group in 2007.

Mr. Lam holds a bachelor's degree in engineering, majoring in civil engineering, from the Universidade de Macau. Mr. Lam is a civil engineer of Conselho de Arquitectura, Engenharia e Urbanismo (建築、工程及城市規劃專業委員會).

Mr. Lao Ka Wa, aged 44, is the vice president and is primarily responsible for project coordination and worksite supervision of the Group. Mr. Lao has over 24 years of experience in the construction industry and he joined the Group in 2007.

Ms. Tam Wing Yee, aged 36, is the finance manager and the company secretary and is responsible for finance, accounting and company secretarial matters of our Group. Ms. Tam has over 14 years of experience in accounting and auditing and she joined the Group in 2017.

Ms. Tam holds a bachelor's degree in business administration (Honours) from The Chinese University of Hong Kong. Ms. Tam has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2008.

COMPANY SECRETARY

Ms. Tam Wing Yee, aged 36, is the company secretary. For details of her background, please refer to the sub-section headed "Senior Management" in this section.

Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

During the period from the Listing Date to the date of this report (the "Relevant Period"), the Board is of the opinion that the Company has complied with all the code provisions. The CG Code was not applicable to the Company before the Listing Date.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosures in the corporate governance report as set out in the annual report of the Company.

The Board is performing the abovementioned corporate governance functions starting from the Listing Date.

THE BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders. The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The functions performed by the Board include formulating the Board's business plans and strategies, making all significant financial and operational decisions, developing, monitoring and reviewing the Group's corporate governance and addressing shareholders' concerns at general meetings. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board. The Board has established three Board committees (the "Board Committees"), being the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"), to oversee different areas of the Company's affairs.

Board Composition

The Board currently consists of five directors, comprising two Executive Directors and three Independent Non-executive Directors (the "INED(s)"). As at the date of this report, the Board of the Company comprises the following directors:

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

Executive Directors

Mr. Kuok Lam Sek (Chairman)
Mr. Sou Kun Tou

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Dr. Ngan Matthew Man Wong

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The biographies of the Directors (and their relationships, if any) are set out in the "Biographical Details of Directors and Senior Management" section of this annual report, which demonstrates a diversity of skills, expertise, experience and qualifications. Save as disclosed therein, there are no financial, business, family or other material or relevant relationships among the members of the Board.

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years with effect from 13 February 2018, unless terminated by the respective Director or the Company in accordance with the terms of the service agreement. Under the code provision A.4.1 of the CG Code, the INEDs should be appointed for a specific term. Each of the INEDs has entered into a letter of appointment with the Company which shall last for a period of three years with effect from 13 February 2018, subject to early termination in accordance with the terms of the letter of appointment.

During the Relevant Period, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

The three INEDs represent more than one-third of the Board, the proportion of which is higher than what is required by Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of the Shareholders.

Independence of the INEDs

The role of the INEDs is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and Board Committees to provide their independent and objective views. All the INEDs are free from any business or other relationships with the Company.

The Company has received written annual confirmation of independence from each INED in accordance with Rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the INEDs are independent within the meaning of the Listing Rules.

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

Board Diversity Policy

Pursuant to the CG Code, the Board has adopted a board diversity policy. The Company recognises and embraces the benefits of diversity of the Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All Directors have separate and independent access to the Group's senior management and operational staff to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

Continuing Professional Development

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate.

Immediately prior to the Listing, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

During the Relevant Period, the following Directors attended training sessions arranged by professional firms:

Directors	Topic
Executive Directors	
Mr. Kuok Lam Sek *(Chairman)*	Training on director's responsibilities
Mr. Sou Kun Tou	Training on director's responsibilities
Independent Non-executive Directors	
Ms. Chan Po Yi, Patsy	Training on director's responsibilities
Mr. Cheung Kiu Cho, Vincent	Training on director's responsibilities
Dr. Ngan Matthew Man Wong	Training on director's responsibilities

In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

Board Attendance

Code provision A.1.1 of the CG Code prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Other board meetings will be held if necessary.

The attendance record of each director at the Board meetings held during the Relevant Period is set out in the table below:

	Attendance/Number of Board Meetings during the Relevant Period
Executive Directors	
Mr. Kuok Lam Sek	4/4
Mr. Sou Kun Tou	4/4
Independent Non-executive Directors	
Ms. Chan Po Yi, Patsy	2/4
Mr. Cheung Kiu Cho, Vincent	2/4
Dr. Ngan Matthew Man Wong	2/4

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Company.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee on 23 January 2018 to oversee specific aspects of the Group's affairs and help it in the execution of its responsibilities. These committees each have specific written terms of reference which clearly outline the committees' authority and duties, and which require the committees to report back on their decisions or recommendations to the Board. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established the Audit Committee on 23 January 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong, all being INEDs. The Audit Committee is chaired by Ms. Chan Po Yi, Patsy, and is the INED with the appropriate professional qualifications.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The members of the Audit Committee will meet at least twice a year. During the Relevant Period, the first meeting of the Audit Committee was held on 29 March 2018 during which the Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group. The attendance records of the respective members of the Audit Committee to its meetings are set out below:

	Attendance/Number of Committee Meetings during the Relevant Period
Ms. Chan Po Yi, Patsy *(Chairlady)*	1/1
Mr. Cheung Kiu Cho, Vincent	1/1
Dr. Ngan Matthew Man Wong	1/1

Remuneration Committee

The Company has established the Remuneration Committee on 23 January 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of three members, namely Dr. Ngan Matthew Man Wong, Ms. Chan Po Yi, Patsy and Mr. Cheung Kiu Cho, Vincent, all being INEDs. The Remuneration Committee is chaired by Dr. Ngan Matthew Man Wong.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Board regarding the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of individual Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2017 is as follows:

Remuneration band	Number of individual
Not exceeding MOP1,000,000	1
MOP1,000,000 to MOP2,000,000	2

The members of the Remuneration Committee will meet at least once a year. During the Relevant Period, the first meeting of the Remuneration Committee was held on 29 March 2018 for, inter alia, reviewing the remuneration packages for individual executive Directors and senior management and making recommendations to the Board. The attendance records of the respective members of the Remuneration Committee to its meetings are set out below:

	Attendance/Number of Committee Meetings during the Relevant Period
Dr. Ngan Matthew Man Wong *(Chairman)*	1/1
Ms. Chan Po Yi, Patsy	1/1
Mr. Cheung Kiu Cho, Vincent	1/1

Nomination Committee

The Company has established the Nomination Committee on 23 January 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of three members, namely Mr. Cheung Kiu Cho, Vincent, Dr. Ngan Matthew Man Wong and Ms. Chan Po Yi, Patsy, all being INEDs. The Nomination Committee is chaired by Mr. Cheung Kiu Cho, Vincent.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to our Board to complement the corporate strategy and make recommendations to the Board on the appointment of members of the Board.

The members of the Nomination Committee can call for a meeting anytime when it is necessary. During the Relevant Period, the first meeting of the Nomination Committee was held on 29 March 2018, and has, inter alia, reviewed the structure, size, composition and diversity of the Board, assessed the independence of the INEDs and recommended to the Board on matters relating to the appointment and re-election of Directors. The attendance records of the respective members of the Nomination Committee to its meetings are set out below:

	Attendance/Number of Committee Meetings during the Relevant Period
Mr. Cheung Kiu Cho, Vincent *(Chairman)*	1/1
Dr. Ngan Matthew Man Wong	1/1
Ms. Chan Po Yi, Patsy	1/1

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Model Code was not applicable to the Company before the Listing Date. Having made specific enquiries of all the Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code throughout the Relevant Period.

Pursuant to Rule B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the Group's state of affairs, results and cash flows and in accordance with the relevant accounting standards and principles and the disclosure requirements under applicable laws and regulations in Hong Kong. In preparing the consolidated financial statements of the Group for the Year, the Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to any events or conditions which may affect the business of the Group or cast doubts over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the consolidated financial statements for the Year.

The responsibilities of external auditor of the Company, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu, certified public accountants (the "Auditor") has been appointed as the external auditor of the Company. During the Year, the fees paid or payable to the Auditor in respect of its audit and non-audit services provided to the Group is set out as follows:

	Fees paid or payable during the Year HK$ million
Annual audit services	1.1
Audit services relating to the Listing	4.1
Non-audit services	1.7
Total	6.9

Non-audit services mainly included taxation and advisory services.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board is also responsible for reviewing from time to time the effectiveness of the Group's risk management and internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Clear roles and responsibilities are assigned to different level of management within the Group. Management of the Group is responsible for designing, implementing and monitoring risk management and internal control systems, and is responsible for identifying, analysing and prioritising risk for further consideration by the Board, and ensuring that the risk monitoring and control system are working effectively and risk mitigation actions are implemented within business units.

The Board has reviewed the effectiveness of the internal control and risk management systems of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions for the Year. Based on the result of the review in respect of the Year, the Directors considered that the internal control and risk management systems of the Group are effective and adequate.

The Group has established a set of risk management and internal control policies and measures covering various aspects of its operations, including but not limited to: (a) revenue and receipts; (b) capital expenditure management; (c) purchases, expenses and payments; (d) human resources and payroll; (e) treasury management; and (f) financial reporting. These policies and measures are to ensure proper accounting records are kept so that reliable financial reporting can be provided, effectiveness and efficiency of operation can be achieved, compliance with applicable laws and regulations and safeguarding of assets can be maintained.

The Board is also of the view that safety, as part of loss control management, is a vital part of the construction business worldwide, and if not managed properly, it can be extremely costly not only in human terms, but also in monetary terms. Therefore, safety is treated as the highest priority during the delivery of our services with emphasis on hazard management and risk assessment.

The Group has established safety manuals and project safety plans to ensure all workers at our construction sites are well aware of all our stipulated safety requirements. In addition, qualified safety officer and safety supervisor are deployed to monitor and implement our safety system in each construction project. As a result, the Board is satisfied that these measures are adequate and effective to promote a safer and healthier environment for the workers at our construction sites.

For the handling and dissemination of inside information, an inside information handling policy is in place to enable the Group to handle inside information and, where required, communicate with the Group's stakeholders in a timely manner.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group which are discussed below. Firstly, the newly established Audit Committee has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations. Our internal control measures, policies and procedures which were codified, adopted and implemented by the Group, have also been updated and revised. Furthermore, subject to recommendation from the Audit Committee, the Company is considering to appoint an external internal control adviser to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies. It is intended to review the effectiveness of the Group's material internal controls so as to provide assurance that key internal control measures are carried out appropriately and are functioning as intended.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, an extraordinary general meeting shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(continued)*

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Units Q, R and S, 6/F, Praça Kin Heng Long-Heng Hoi Kuok, Kin Fu Kuok,
No. 258 Alameda Dr. Carlos D'Assumpção, Macau
(For the attention of the Board of Directors)
Fax: 853 - 2823 8112
Email: info@mecommacau.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.mecommacau.com as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed by all Shareholders on 23 January 2018. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and the Stock Exchange.

Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 8 May 2017.

In preparation for the Listing, the Group underwent the reorganisation, details of the reorganisation are set out in note 1 to the consolidated financial statements.

The Shares were listed on the Main Board of the Stock Exchange with effect from 13 February 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are engaged in structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alternation and maintenance works and services. The principal activities and other particulars of the subsidiaries are set out in note 25 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this annual report.

The Board has recommended the payment of a final dividend of HK6.7 cents per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on 11 June 2018. The payment of the proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on 6 July 2018.

There was no arrangement under which a shareholder has waived or agreed to waive any dividends for the year ended 31 December 2017.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future business development, are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and 6 to 18 respectively of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" in this annual report.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 6 June 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2018.

The payment of the proposed final dividend for the year ended 31 December 2017 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Thursday, 7 June 2018. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 June 2018.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 100 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have reserves available for distribution to Shareholders in accordance with the Articles of Association.

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 58 of this annual report and in note 21 to the consolidated financial statements, respectively.

Directors' Report

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year, the Group's top five customers accounted for approximately 90.1% of the Group's total revenue for the year. The largest customer accounted for approximately 60.1% of the Group's total revenue for the year.

During the year, purchases from the Group's top five suppliers and subcontractors accounted for approximately 35.1% of the Group's total purchase costs for the year. The largest subcontractor accounted for approximately 16.6% of the Group's total purchases costs for the year.

The Groups' largest customer is owned as to (i) approximately 51.22% by Melco International Development Limited, which is in turn owned as to approximately 53.19% (including beneficial interest, interest of his controlled corporations and interest of a trust in which he is one of the beneficiaries and taken to have interest by virtue of the SFO) by Mr. Ho, Lawrence Yau Lung ("Mr Ho"); and (ii) approximately 0.34% personally by Mr. Ho as beneficial owner. Mr. Ho is a substantial shareholder of the Company by virtue of his 100% interest in King Dragon Ventures Limited ("King Dragon"), which holds 20% of the total number of issued shares of the Company.

Save as disclosed above, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued shares) has any interest in the Group's five largest customers or its five largest suppliers and subcontractors.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Kuok Lam Sek *(Chairman)* – appointed on 8 May 2017
Mr. Sou Kun Tou – appointed on 8 May 2017

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy – appointed on 23 January 2018
Mr. Cheung Kiu Cho, Vincent – appointed on 23 January 2018
Dr. Ngan Matthew Man Wong – appointed on 23 January 2018

In accordance with article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Mr. Kuok Lam Sek and Mr. Sou Kun Tou will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 22 to 24 of this annual report.

Directors' Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, and each of the independent Non-executive Directors has signed an appointment letter with the Company, for a term of three years commencing from the Listing Date which may be terminated by either party with three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, each director or other officer of the Company shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company since 13 February 2018.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or in existence during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" and in note 24 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" and in note 24 to the consolidated financial statements, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Since the Shares of the Company were not listed on the Stock Exchange as at 31 December 2017, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"), section 352 of the SFO and the Model Code contained in the Listing Rules were not applicable to the Company and the Directors and chief executive of the Company as at 31 December 2017.

As at 29 March 2018, being the date of this report, the interests and short position of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

(i) Interests in our Company

Name of Shareholder	Nature of interest	Number of shares[1]	Approximate percentage of shareholding interest
Mr. Kuok Lam Sek ("Mr. Kuok") (Note 2)	Interest of controlled corporation	600,960,000 (L)	50.08%
Mr. Sou Kun Tou ("Mr. Sou") (Note 2)	Interest of controlled corporation	600,960,000 (L)	50.08%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam Kuok Wa ("Mr. Lam") and 15% by Mr. Lao Ka Wa ("Mr. Lao"), respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

(ii) Interests in the associated corporations of the Company

Name of Directors	Name of associated corporation	Nature of interest	Interest in Shares	Percentage holding
Mr. Kuok (Note)	MECOM Holding Limited	Beneficial interest and interest held jointly with another person	100	100%
Mr. Sou (Note)	MECOM Holding Limited	Beneficial interest and interest held jointly with another person	100	100%

Note: MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam and 15% by Mr. Lao, respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

Save as disclosed above, as at the date of this report, there were no other interests or short positions of the Directors or chief executive of the Company in the Shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Since the Shares of the Company were not listed on the Stock Exchange as at 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders of the Company as at 31 December 2017.

As at 29 March 2018, being the date of this report, the following persons/corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares and debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest	No. of shares(1)	Approximate percentage of shareholding interest
Mr. Lam (Note 2)	Interest of controlled corporation	600,960,000 (L)	50.08%
Mr. Lao (Note 2)	Interest of controlled corporation	600,960,000 (L)	50.08%
MECOM Holding Limited	Beneficial owner	600,960,000 (L)	50.08%
Mr. Ho (Note 3)	Interest of controlled corporation	240,000,000 (L)	20.00%
King Dragon	Beneficial owner	240,000,000 (L)	20.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam and 15% by Mr. Lao, respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

(3) King Dragon is beneficially and wholly-owned by Mr. Ho. By virtue of the SFO, Mr. Ho is deemed to be interested in the Shares held by King Dragon.

Save as disclosed above, as at the date of this report, the Company has not been notified by any persons who had interests or short position in the Shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the Company's then sole shareholder passed on 23 January 2018. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the participants had or may have made to the Group. The Share Option Scheme will provide the participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) Motivate the participants to optimise their performance efficiency for the benefit of the Group; and

(ii) Attract and retain or otherwise maintain an on-going business relationship with the participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at Listing Date, being 120,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may renew this limit at any time to 10% of the number of Shares in issue as at the date of the approval by the Shareholders in general meeting and/or grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the number of Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

As at 29 March 2018, being the date of this report, the outstanding number of share options available for grant under the Scheme is 120,000,000 share options to subscribe for the Shares, representing 10% of the issued share capital of the Company.

Directors' Report

SHARE OPTION SCHEME *(Continued)*

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

COMPETING BUSINESS

For the period from the Listing Date and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

Deed of Non-Competition

The deed of non-competition (the "Deed of Non-Competition") has been entered into on 23 January 2018 by MECOM Holding Limited, Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao, the controlling shareholders of the Company within the meaning of the Listing Rules (collectively the "Controlling Shareholders") in favour of the Company, details of which are set out in section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-Competition and considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions:

(1) Tenancy Agreements

(i) Office Tenancy Agreement

On 1 June 2017, EHY Construction and Engineering Company Limited ("EHY Construction and Engineering"), an indirect wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement (the "Office Tenancy Agreement") with Mr. Kuok and Ms. Wong Fong Peng ("Ms. Wong"), who is the spouse of Mr. Kuok, as landlords (the "Landlords"), pursuant to which the Landlords agreed to lease to EHY Construction and Engineering a property situated at Units Q, R and S, 6/F, Praça Kin Heng Long-Heng Hoi Kuok, Kin Fu Kuok, No. 258 Alameda Dr. Carlos D'Assumpção, Macau (the "Office Premises"), with a total gross floor area of approximately 219.3 sq.m. for office use. The Office Premises is used as the Group's head office. The Office Tenancy Agreement has a term commencing from 1 June 2017 and ending on 31 December 2019 (both days inclusive) at a monthly rental of MOP55,000 (inclusive of management fees, property tax, utilities fees and government rent). EHY Construction and Engineering has an option to renew the Office Tenancy Agreement by giving 90 days' prior notice to the Landlords upon the expiration of the Office Tenancy Agreement, subject to the applicable requirements of the Listing Rules.

As disclosed in the Prospectus, the Board estimated that the annual cap under the Office Tenancy Agreement will not exceed MOP660,000 and MOP660,000, for each of the two years ending 31 December 2019, respectively.

During the year, the rental expenses paid by EHY Construction and Engineering in respect of the lease of the Office Premises amounted to MOP610,000.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(1) Tenancy Agreements *(Continued)*

(ii) Warehouse Tenancy Agreement

On 1 July 2017, Sun Hung Yip Engineering Construction Company Limited ("SHY Engineering Construction"), an indirect wholly-owned subsidiary, as tenant entered into a tenancy agreement (the "Warehouse Tenancy Agreement") with the Landlords pursuant to which the Landlords agreed to lease to SHY Engineering Construction a property situated at Unit J, 1/F, Edf. Industrial Cidade Nova, No. 61 Travessa dos Currais, Macau (the "Warehouse Premises"), with a total gross floor area of approximately 110.1 sq.m. for warehouse use. The Warehouse Tenancy Agreement has a term commencing from 1 May 2017 and ending on 31 December 2019 (both days inclusive) at a monthly rental of HK$16,000 (inclusive of management fees, property tax, utilities fees and government rent). SHY Engineering Construction has an option to renew the Warehouse Tenancy Agreement by giving 90 days' prior notice to the Landlords upon the expiration of the Warehouse Tenancy Agreement, subject to the applicable requirements of the Listing Rules.

As disclosed in the Prospectus, the Board estimated that the annual cap under the Warehouse Tenancy Agreement will not exceed HK$192,000 and HK$192,000, or MOP198,000 and MOP198,000, for each of the two years ending 31 December 2019, respectively.

During the year, the rental expenses paid by SHY Engineering Construction in respect of the lease of the Warehouse Premises amounted to MOP198,000.

Mr. Kuok is the executive Director and one of the Controlling Shareholders and Ms. Wong is the spouse of Mr. Kuok. As such, each of Mr. Kuok and Ms. Wong is a connected person of our Company under the Listing Rules.

Since the transactions contemplated under the Office Tenancy Agreement and the Warehouse Tenancy Agreement (the "Tenancy Agreements") are similar in nature, the transactions contemplated under the Tenancy Agreements should be aggregated pursuant to the Listing Rules. Since each of the applicable percentage ratios (other than the profits ratio) for the Tenancy Agreements in aggregate is expected to be less than 5.0% and the annual consideration is expected to be less than HK$3 million, the transactions contemplated under the Tenancy Agreements are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(2) Master Ancillary Construction Services Agreement

On 23 January 2018, the Company entered into a master ancillary construction services agreement (the "Master Ancillary Construction Services Agreement") with Mr. Sou, pursuant to which Mr. Sou and/or his associates (the "Sou Companies") will provide and install heating, ventilation and air conditioning, extra low voltage, low voltage systems, plumbing and drainage works and fire services systems (the "Ancillary Construction Services") to our Group for a term commencing from 1 January 2018 and ending on 31 December 2020.

The Master Ancillary Construction Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transaction described therein. It is envisaged that from time to time and as required, individual service contract may be required to be entered into between the Group and each of the Sou Companies. Each individual service contract will set out the relevant services to be provided by the respective Sou Companies to the Group, the fee for the Ancillary Construction Services and any detailed specifications which may be relevant to those services. The individual service contracts may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Ancillary Construction Services Agreement. As the individual service contracts will be simply further elaborations on the transactions contemplated by the Master Ancillary Construction Services Agreement, they will not constitute new categories of connected transactions as far as Listing Rules are concerned.

As disclosed in the Prospectus, the Board estimated that the annual cap under the Master Ancillary Construction Services Agreement will not exceed MOP2.0 million, MOP2.0 million and MOP2.0 million for each of the years ending 31 December 2018, 2019 and 2020, respectively. Such estimate was based on (a) the projected demand of the Ancillary Construction Services that the Group would require from the Sou Companies in view of the existing construction contracts and projects; and (b) the historical transaction amounts.

During the year, the total service fee paid for the Ancillary Construction Services by the Group to the Sou Companies amounted to approximately MOP0.2 million.

Mr. Sou is the executive Director and one of the Controlling Shareholders. As such, Mr. Sou is a connected person of our Company under the Listing Rules. Accordingly, the transaction under the Master Ancillary Construction Services Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) for the Master Ancillary Construction Services Agreement is expected to be less than 5% and the annual consideration is expected to be less than HK$3 million, the transactions contemplated under the Master Ancillary Construction Services Agreement are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(3) Facility Management Services

The Group will provide facilities management, alteration and maintenance works and services (the "Facility Management Services") to each of Altira Resorts Limited, COD Resorts Limited, Golden Future (Management Services) Limited (collectively, the "Melco Project Owners") and Studio City Hotels Limited (the "SC Project Owner") for the hotel resorts and other business properties in Macau owned/operated by the Melco Project Owners and/or their affiliates (the "Melco Hotels") and SC Project Owner and/or their affiliates (the "SC Hotel").

It is envisaged that from time to time and as required, individual variation orders may be required to be entered into between the Group and the Melco Project Owners and the SC Project Owner and/or their affiliates during the course of the provision of Facility Management Services by the Group. Each individual variation order will set out the scope of, and the fee (if any) for, the maintenance and repair services required and any detailed specifications which may be relevant to the services. The terms of the orders will be on normal commercial terms and will be no more favourable to the Melco Project Owners and SC Project Owner than was available to other independent project owners. As these orders will be entered into in connection with and will be of similar nature with the Facility Managements Services, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

As disclosed in the Prospectus, the Board estimated that the annual cap in respect of the Facility Management Services will not exceed MOP50.2 million, MOP48.2 million and MOP25.5 million for each of the years ending 31 December 2018, 2019 and 2020, respectively. Such estimate was based on (a) the aggregate initial contractual amount which the Group had successfully secured; (b) the anticipated progress of work; (c) the anticipated completion dates; (d) the payment schedule under the underlying contracts; and (e) variation orders which were projected based on the initial contractual amount after making reference to the historical amount of variation orders under similar facility management services provided by the Group over the past three years.

During the year, the total revenue derived from the Facility Management Services amounted to approximately MOP21.0 million.

Each of the Melco Project Owners was an indirect wholly owned subsidiary of Melco Resorts & Entertainment Limited and the SC Project Owner was indirectly owned as to 60% by Melco Resorts & Entertainment Limited. Melco Resorts & Entertainment Limited is owned as to (i) approximately 51.22% by Melco International Development Limited, which is in turn owned as to approximately 53.19% (including beneficial interest, interest of his controlled corporations and interest of a trust in which he is one of the beneficiaries and taken to have interest by virtue of the SFO) by Mr. Ho, one of our substantial Shareholders; and (ii) approximately 0.34% personally by Mr. Ho as beneficial owner. As such, each of the Melco Project Owners and the SC Project Owner is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Facility Management Service Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (other than the profits ratio) for the Facility Management Services in aggregate is expected to be more than 5% on an annual basis, the transactions under the Facility Management Services are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(4) Project and Supply Works

The Group will provide structural steelworks, civil engineering construction, and fitting out and renovation works to COD Resorts Limited (the "Melco Company"), Studio City Developments Limited and Studio City Hotels Limited (the "SC Companies") for the Melco Hotels and the SC Hotel (the "Project and Supply Works").

It is envisaged that from time to time and as required, individual variation orders may be required to be entered into between the Group and the Melco Company and the SC Companies and/or their affiliates. Each individual variation order will set out the scope of, and the fee (if any) for, the Project and Supply Works and any detailed specifications which may be relevant to the services. The terms of the orders will be on normal commercial terms and will be no more favourable to the Melco Company and the SC Companies than was available to other independent project owners. As these orders will be entered into in connection with and will be of similar nature with the Project and Supply Works, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

As disclosed in the Prospectus, the Board estimated that the annual cap in respect of the Project and Supply Works will not exceed MOP128.4 million for the year ending 31 December 2018. Such estimate was based on (a) the aggregate initial contractual amount which the Group had successfully secured; (b) the anticipated progress of work; (c) the anticipated completion dates; (d) the payment schedule under the underlying contracts; (e) variation orders which were projected based on the initial contractual amount after making reference to the historical amount of variation orders under similar projects undertaken by the Group over the past three years; and (f) actual revenue derived from the Project and Supply Works over the past three years.

During the year, the total revenue derived from the Project and Supply Works amounted to approximately MOP266.1 million.

The Melco Company was an indirect wholly owned subsidiary of Melco Resorts & Entertainment Limited and each of the SC Companies was indirectly owned as to 60% by Melco Resorts & Entertainment Limited. Melco Resorts & Entertainment Limited is owned as to (i) approximately 51.22% by Melco International Development Limited, which is in turn owned as to approximately 53.19% (including beneficial interest, interest of his controlled corporations and interest of a trust in which he is one of the beneficiaries and taken to have interest by virtue of the SFO) by Mr. Ho, one of our substantial Shareholders; and (ii) approximately 0.34% personally by Mr. Ho as beneficial owner. As such, the Melco Company and each of the SC Company is a connected person of the Company under the Listing Rules. Accordingly, the transactions in relation to the Project and Supply Works will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios for the Project and Supply Works in aggregate is expected to be more than 5% on an annual basis, the transactions in relation to Project and Supply Works are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

WAIVERS

The transactions under the Tenancy Agreements (on an aggregated basis) and the Master Ancillary Construction Services Agreement constitute exempt continuing connected transactions under the Listing Rules.

The transactions in relation to the Facility Management Services (on an aggregated basis) and the Project and Supply Works (on an aggregated basis) constitute non-exempt continuing connected transactions under the Listing Rules.

In respect of the transactions in relation to the Facility Management Services (on an aggregated basis) and the Project and Supply Works (on an aggregated basis), one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules and calculated with reference to the proposed annual caps for each of the years shown above in aggregate, is expected to be more than 5% on an annual basis. As such, the non-exempt continuing connected transactions in relation to the Facility Management Services and the Project and Supply Works will be subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Company confirms that the Stock Exchange has granted us waivers from strict compliance with the announcement and independent shareholders' approval requirements of the Listing Rules in respect of the continuing connected transactions in relation to the Facility Management Services and the Project and Supply Works subject to the aggregate value of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.55 of the Listing Rules, the above non-exempt continuing connected transactions have been reviewed by the independent non-executive directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor has been engaged by the Company to report on the above non-exempt continuing connected transactions. The auditor has issued a letter to the Board containing their findings and conclusions in respect of the above non-exempt continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed that nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; and

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

A copy of the auditor's letter has been provided to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

Directors' Report

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2017, which do not constitute connected transactions under the Listing Rules as disclosed above, are disclosed in note 24 to the consolidated financial statements.

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

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 February 2018 by way of Global Offering.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief available for the Shareholders by reason of their holding of the Shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the period from the Listing Date up to the latest practicable date prior to the issue of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

During the period from the Listing Date to the date of this report, the Directors are of the opinion that the Company has complied with all the applicable provisions of the CG Code as set out in Appendix 14 of the Listing Rules. The CG Code is not applicable to the Company before the Listing Date. Details of corporate governance report are set out on pages 25 to 34 of this annual report.

EMOLUMENT POLICY

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

The Company has adopted a share option schemes as an incentive to eligible persons, details are set out under the heading "Share Option Scheme" in this report.

Directors' Report

EVENTS AFTER THE REPORTING PERIOD

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 February 2018 by way of Global Offering.

Save as disclosed in this report, there were no other important events affecting the Group that had occurred after 31 December 2017 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Kuok Lam Sek
Chairman

Hong Kong, 29 March 2018

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
MECOM POWER AND CONSTRUCTION LIMITED
澳能建設控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MECOM Power and Construction Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 56 to 99, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works	
We identified the recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works as a key audit matter due to the significance of these balances to the consolidated financial statements as a whole combined with the significant management's judgements and estimation involved in the determination of the total outcome of the construction contracts as well as the percentage of completion of construction contracts. As at 31 December 2017, the Group recorded amounts due from customers for contract works of MOP6,070,000 and amounts due to customers for contract works of MOP8,478,000. The Group has recognised revenue and cost of services amounting to MOP598,543,000 and MOP479,333,000 respectively for the year ended 31 December 2017. The Group recognises contract revenue based on the actual payments certified by the customers according to the stage of completion of projects, and recognises cost of construction contracts and amounts due from (to) customers for contract works according to the Group's management's estimation of the total outcome of the construction contracts as well as the percentage of completion of construction contracts. As such, the actual outcome of the contract in terms of its total costs may be different from the estimation and this will have material financial impact on the consolidated financial statements. Details are set out in note 4 to the consolidated financial statements.	In relation to the recognition of revenue and cost and amounts due from (to) customers for contract works, we performed the following procedures, on a sample basis: • Obtaining an understanding of the control over the preparation and approval of the cost budgets and the revision of estimates of both contract revenue and costs; • Agreeing the contract sum and variation orders to respective signed contracts and the correspondence with customers; • Discussing with the project managers to evaluate the reasonableness of their estimated construction costs, taking into account the profit margin of similar projects, the duration and the complexity of the projects; • Assessing the reliability of the Group's approved budgets and revisions by considering historical accuracy on completed projects; • Verifying the reasonableness of estimated total costs by matching against the latest costs quotations provided by the major contractors/suppliers/vendors; • Discussing with the project managers to understand the status of completion of the relevant construction projects and the reasons for the change of budget contract value and contract costs during the year; • Challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales by inspecting the certificates issued by customers and comparing the progress with the budgeted timeline; • Evaluating the reasonableness of percentage of completion as at year end by obtaining the certificates issued by customers and performing site visits to the construction sites; and • Checking the accuracy of the amounts due from (to) customers for contract works by agreeing the amount of progress billings, to billings issued to customers and agreeing the amount of contract costs incurred, to supplier invoices and payment request certificates from subcontractors.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 MOP'000	2016 MOP'000
Revenue	5	**658,746**	464,882
Cost of services		**(531,436)**	(367,647)
Gross profit		**127,310**	97,235
Other income	6	**465**	279
Other losses	7	**(23)**	–
Administrative expenses		**(27,467)**	(14,596)
Listing expenses		**(13,617)**	–
Profit before tax		**86,668**	82,918
Income tax expense	11	**(8,474)**	(14,917)
Profit and total comprehensive income for the year	8	**78,194**	68,001
Basic earnings per share (MOP cents)	12	**8.15**	7.08

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	**2017 MOP'000**	2016 MOP'000
Non-current assets			
Property, plant and equipment	13	**15,630**	7,599
Deposit for property, plant and equipment		**–**	8,283
		15,630	15,882
Current assets			
Amounts due from customers for contract works	14	**6,070**	10,165
Debtors, deposits and prepayments	15	**98,610**	97,428
Amounts due from related companies	16	**105,679**	23,438
Amounts due from shareholders	17	**46**	26,460
Pledged bank deposits	18	**41,108**	26,457
Bank balances and cash	18	**165,882**	107,367
		417,395	291,315
Current liabilities			
Amounts due to customers for contract works	14	**8,478**	7,601
Amounts due to related companies	16	**2,739**	9,142
Amounts due to shareholders	17	**5,021**	–
Creditors and accrued charges	19	**178,779**	81,408
Tax liabilities		**36,076**	44,108
		231,093	142,259
Net current assets		**186,302**	149,056
Net assets		**201,932**	164,938
Capital and reserves			
Share capital	20	**–***	90
Reserves		**201,932**	164,848
Total equity		**201,932**	164,938

* Less than MOP1,000

The consolidated financial statements on pages 56 to 99 were approved and authorised for issue by the board of directors on 29 March 2018 and are signed on its behalf by:

Kuok Lam Sek	**Sou Kun Tou**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital MOP'000	Share premium MOP'000	Legal reserves MOP'000 *(Note a)*	Other reserves MOP'000 *(Note b)*	Retained earnings MOP'000	Total MOP'000
At 1 January 2016	90	–	45	–	158,602	158,737
Profit and total comprehensive income for the year	–	–	–	–	68,001	68,001
Dividend paid *(note 10)*	–	–	–	–	(61,800)	(61,800)
At 31 December 2016	**90**	**–**	**45**	**–**	**164,803**	**164,938**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**78,194**	**78,194**
Shares issued at date of incorporation *(note 20)*	**–***	**–**	**–**	**–**	**–**	**–***
Shares issued upon reorganisation and effect of reorganisation *(notes 1 and 20)*	**(90)**	**147,204**	**–**	**(147,114)**	**–**	**–***
Dividend paid *(note 10)*	**–**	**–**	**–**	**–**	**(41,200)**	**(41,200)**
At 31 December 2017	**–***	**147,204**	**45**	**(147,114)**	**201,797**	**201,932**

Notes:

(a) In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau Special Administrative Region ("Macau") is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserves until the balance meet 50% of their registered capital. The reserve is not distributable to shareholders.

(b) The balance of other reserves as at 31 December 2017 represents the difference between the aggregate share capital of EHY Construction and Engineering Company Limited ("EHY"), and Sun Hung Yip Engineering Construction Company Limited ("SHY") and the consideration satisfied by way of issue of shares by the Company for the acquisition of EHY and SHY by MECOM EHY Limited ("MECOM EHY") and MECOM Sun Hung Yip Limited ("MECOM Sun Hung Yip") respectively, pursuant to the reorganisation completed on 31 May 2017.

* Less than MOP1,000

Consolidated Statement of Cash Flows

For the year Ended 31 December 2017

	2017 MOP'000	2016 MOP'000
Operating activities		
Profit before tax	**86,668**	82,918
Adjustments for:		
Depreciation of property, plant and equipment	**4,881**	2,412
Bank interest income	**(465)**	(107)
Operating cash flows before movements in working capital	**91,084**	85,223
Decrease in debtors, deposits and prepayments	**1,510**	45,328
Increase in amounts due from a related company	**(105,147)**	–
Decrease in amounts due from customers for contract works	**4,095**	3,139
Increase (decrease) in creditors and accrued charges	**97,063**	(56,497)
Increase in amounts due to customers for contract works	**877**	7,601
Decrease in amounts due to related companies	**(9,142)**	(2,611)
Cash generated from operations	**80,340**	82,183
Income tax paid	**(16,506)**	(2,700)
Net cash from operating activities	**63,834**	79,483
Investing activities		
Purchases of property, plant and equipment	**(4,629)**	(1,122)
Advances to related companies	**(11,591)**	(21,990)
Repayments from related companies	**34,497**	21,418
Repayments from shareholders	**26,414**	1,802
Advances to shareholders	**–**	(27,843)
Placement of pledged bank deposits	**(28,887)**	(12,452)
Withdrawal of pledged bank deposits	**14,236**	1,359
Deposits for property, plant and equipment	**–**	(8,283)
Interest received	**465**	107
Net cash from (used in) investing activities	**30,505**	(47,004)
Financing activities		
Advances from shareholders	**5,021**	540
Repayments to shareholders	**–**	(2,593)
Advances from related companies	**2,739**	–
Share issue costs paid	**(2,384)**	–
Dividend paid	**(41,200)**	(61,800)
Net cash used in financing activities	**(35,824)**	(63,853)
Net increase (decrease) in cash and cash equivalents	**58,515**	(31,374)
Cash and cash equivalents at beginning of the year	**107,367**	138,741
Cash and cash equivalents at end of the year		
Represented by bank balances and cash	**165,882**	107,367

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 May 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Units Q, R and S, 6/F, Praca Kin Heng Long-Heng Hoi Kuok, Kin Fu Kuok, No. 258 Alameda Dr. Carlos D'Assumpcao, Macau.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alternation and maintenance works and services.

The consolidated financial statements are presented in Macau Pataca ("MOP"), which is the same as the functional currency of the Company.

Pursuant to a group reorganisation to rationalise the structure of the Group (the "Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the Company has become the holding company of its operating subsidiaries including EHY and SHY on 31 May 2017 (collectively the "Subsidiaries"). The Group underwent the Reorganisation, comprised with the following steps:

(i) MECOM Holding Limited ("MECOM Holding"), was incorporated in the British Virgin Islands on 28 April 2017 and the authorised share capital of MECOM Holding was 50,000 ordinary shares with a par value of HK$1.00 each. Upon incorporation, 35 shares, 35 shares, 15 shares and 15 shares were allotted and issued to Mr. Sou Kun Tou ("Mr. Sou"), Mr. Kuok Lam Sek ("Mr. Kuok"), Mr. Lam Kuok Wa ("Mr. Lam") and Mr. Lao Ka Wa ("Mr. Lao") (collectively referred to as the "Controlling Shareholders"), respectively.

(ii) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2017 to act as the holding company of the Group for the Listing. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each (the "Shares"). Upon incorporation, 1,000 Shares, representing the entire issued share capital of the Company, were allotted and issued to MECOM Holding.

(iii) MECOM EHY, MECOM Hung Yip Limited ("MECOM Hung Yip") and MECOM Sun Hung Yip were incorporated in the British Virgin Islands on 10 May 2017 and the authorised share capital of MECOM EHY, MECOM Hung Yip and MECOM Sun Hung Yip were 10,000 ordinary shares with a par value of HK$1.00 each. Upon incorporation, one fully paid share was allotted and issued to the Company at par.

(iv) On 31 May 2017, MECOM EHY acquired 50% of the share capital of EHY from each of Mr. Sou (who beneficially owned 35% and held 15% of the share capital on trust for Mr. Lam) and Mr. Kuok (who beneficially owned 35% and held 15% of the share capital on trust for Mr. Lao) at the consideration of MOP57,404,932 and MOP57,404,932, which was determined with reference to net asset value of EHY as at 30 April 2017. The consideration for the above transfers was settled by the Company allotting and issuing 500 Shares to MECOM Holding (as directed by Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao) on the same day. Upon completion of such transfers, EHY became a direct wholly-owned subsidiary of MECOM EHY.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL *(Continued)*

(v) On 31 May 2017, MECOM Sun Hung Yip acquired 35%, 35%, 15% and 15% of the share capital in SHY from Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao, respectively, at the consideration of MOP32,393,744, which was determined with reference to net asset value of SHY as at 30 April 2017. The consideration for the above transfers were settled by the Company allotting and issuing 500 Shares to MECOM Holding (as directed by Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao) on the same day. Upon completion of such transfers, SHY became a direct wholly-owned subsidiary of MECOM Sun Hung Yip.

(vi) On 2 June 2017, MECOM Holding entered into a pre-IPO agreement with each of King Dragon Ventures Limited (the "King Dragon") and One Wesco Inc. (the "One Wesco"), pursuant to which MECOM Holding agreed to sell (a) 588 Shares to the King Dragon at a consideration of HK$10,800,000; and (b) 160 Shares to the One Wesco at a consideration of HK$2,938,776.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has consistently applied all the new and revised IFRSs, International Accounting Standards ("IASs"), amendments and interpretations issued by the International Accounting Standard Board ("IASB") which are effective for the accounting periods beginning on 1 January 2017 throughout both years.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs and IASs issued by the IASB that have been issued but not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment on Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED IFRSs *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the directors of the Company anticipate that:

- All financial assets (including debtors, deposits and prepayments, amounts due from shareholders, amounts due from related companies, pledged bank deposits and bank balance and cash) will continue to be measured at amortised costs under IFRS 9.

- The application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade and retention receivables and amounts due from related companies. Such further impairment recognized under expected credit loss model would reduce the opening retained profits at 1 January 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED IFRSs *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

As regards the construction contracts, the directors of the Company have assessed that as performance obligation is satisfied over time therefore revenue from these construction contracts should be recognised over time during the course of construction by the Group. The output method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15. Furthermore, the directors of the Company specifically consider IFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is significant financing component in the contracts.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED IFRSs *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately MOP328,000 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from construction contracts is described in the accounting policy on construction contracts below. Facilities management, alteration and maintenance works and services income is recognised when service is provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the construction works performed, which are certified by customers, relative to the estimated total contract sum. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors, deposits and prepayments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service, entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, deposits and prepayments, amounts due from shareholders, amounts due from related companies, pledged bank deposits and bank balance and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including creditors and accrued charges, amounts due to shareholders and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss ("FVTPL"), are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of Tangible Assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as gains immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts in respect of construction and civil engineering work

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction costs which mainly comprise subcontracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the customer and its receipt is considered probable based on the experience of the management. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Estimated impairment of trade and retention receivables

The management estimates the recoverability of trade and retention receivables based on objective evidence. When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amounts of trade and retention receivables of the Group was approximately MOP91,018,000 (2016: MOP91,795,000) (note 15).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alteration and maintenance works and services.

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating and reportable segment and no further discrete financial information nor analysis of this single segment is presented.

	2017 **MOP'000**	2016 MOP'000
Structural steelworks, civil engineering construction, and fitting out and renovation works	**507,138**	233,694
High voltage power substation construction and its system installation works	**91,405**	186,666
Facilities management, alteration and maintenance works and services	**60,203**	44,522
	658,746	464,882

No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the CODM for review.

Geographical information

The Group's revenue is all derived from operations in Macau and the Group's non-current assets are all located in Macau.

Information about major customers

Revenue from customers in respect of structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alternation and maintenance works and services of the years contributing over 10% of the total revenue of the Group is as follows:

	2017 **MOP'000**	2016 MOP'000
Customer A	**395,756**	N/A*
Customer B	**71,213**	N/A*
Customer C	**66,713**	N/A*
Customer D	**N/A***	163,843
Customer E	**N/A***	123,897

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. OTHER INCOME

	2017 MOP'000	2016 MOP'000
Bank interest income	**465**	107
Others	**–**	172
	465	279

7. OTHER LOSSES

	2017 MOP'000	2016 MOP'000
Net foreign exchange loss	**23**	–

8. PROFIT FOR THE YEAR

	2017 MOP'000	2016 MOP'000
Profit for the year has been arrived at after charging:		
Cost of services:		
Cost of construction	**479,333**	335,507
Cost of rendering services	**52,103**	32,140
	531,436	367,647
Directors' emoluments *(note 9)*	**4,900**	–
Other staff costs:		
Salaries, bonus and other allowances	**109,970**	56,805
Retirement benefit scheme contributions, excluding those of directors	**1,226**	1,149
Total staff costs	**116,096**	57,954
Less: amounts included in cost of services	**(98,387)**	(53,651)
	17,709	4,303
Auditor's remuneration *(Note)*	**1,133**	–
Depreciation of property, plant and equipment	**4,881**	2,412
Legal and professional fees	**142**	180
Minimum lease payment in respect of:		
– rental premises	**1,969**	1,331
– machineries and equipment	**6,018**	8,133

Note: During the year ended 31 December 2016, EHY and SHY did not prepare audited financial statements as they fell under the category of Group A taxpayers in Macau. No auditors had been appointed and no auditor's remuneration incurred.

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For the year ended 31 December 2017

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

The Company did not have any chief executive, executive directors, non-executive directors or independent non-executive directors at any time during the year ended 31 December 2016 since the Company was only incorporated on 8 May 2017.

On 8 May 2017, Mr. Sou was appointed as an executive director and the chief executive officer of the Company and Mr. Kuok was appointed as an executive director and the chairman of the Company. The directors of the Company did not receive any remuneration from subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries or for the management of affairs of the subsidiaries during the year ended 31 December 2016.

Year ended 31 December 2017

	Fee MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contribution MOP'000	Total MOP'000
Executive directors *(Note)*:					
Mr. Sou	–	2,100	350	–	2,450
Mr. Kuok	–	2,100	350	–	2,450
	–	4,200	700	–	4,900

Year ended 31 December 2016

	Fee MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contribution MOP'000	Total MOP'000
Executive directors *(Note)*:					
Mr. Sou	–	–	–	–	–
Mr. Kuok	–	–	–	–	–
	–	–	–	–	–

Note: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid employees of the Group during the year included two directors (2016: nil), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2016: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 MOP'000	2016 MOP'000
Salaries and other allowances	**5,261**	4,778
Discretionary bonus *(Note)*	**3,602**	6,490
Retirement benefit scheme contributions	**6**	5
	8,869	11,273

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2017 Number of employees	2016 Number of employees
Nil to Hong Kong Dollar ("HK$") 1,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	2

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year ended 31 December 2017 and 2016.

10. DIVIDENDS

During the year ended 31 December 2017, prior to the Reorganisation, EHY and SHY declared and paid dividends of an aggregate amount of MOP41,200,000 (2016: MOP61,800,000), to their shareholders.

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK6.7 cents (2016: Nil) per share, totaling approximately HK$80,400,000 (2016: Nil), for the year ended 31 December 2017, to the shareholders of the Company. The final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

11. INCOME TAX EXPENSE

	2017 MOP'000	2016 MOP'000
Current tax		
Macau Complementary Tax	**13,483**	14,917
Overprovision in prior years	**(5,009)**	–
	8,474	14,917

The Company was incorporated in the Cayman Islands and is exempted from income tax.

The Group is subject to Macau Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 for each of the assessment year.

The tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 MOP'000	2016 MOP'000
Profit before tax	**86,668**	82,918
Tax charge at Macau Complementary Tax rate of 12% (2016: 12%)	**10,400**	9,950
Tax effect of expenses not deductible for tax purpose	**3,227**	5,111
Overprovision in prior years	**(5,009)**	–
Special complementary tax incentive	**(144)**	(144)
Tax expense for the year	**8,474**	14,917

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2017 MOP'000	2016 MOP'000
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**78,194**	68,001
	'000	'000
Number of shares		
Number of shares for the purpose of calculating basic earnings per share	**960,000**	960,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 January 2016.

No diluted earnings per share was presented for both years as there were no potential ordinary shares outstanding.

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For the year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles MOP'000	Plant and machinery MOP'000	Office equipment MOP'000	Computer equipment MOP'000	Total MOP'000
Cost					
At 1 January 2016	2,262	9,490	86	119	11,957
Additions	–	1,053	19	50	1,122
At 31 December 2016	**2,262**	**10,543**	**105**	**169**	**13,079**
Additions	**1,326**	**11,330**	**104**	**152**	**12,912**
At 31 December 2017	**3,588**	**21,873**	**209**	**321**	**25,991**
Depreciation					
At 1 January 2016	526	2,481	29	32	3,068
Provided for the year	415	1,950	18	29	2,412
At 31 December 2016	**941**	**4,431**	**47**	**61**	**5,480**
Provided for the year	**438**	**4,375**	**25**	**43**	**4,881**
At 31 December 2017	**1,379**	**8,806**	**72**	**104**	**10,361**
Carrying value					
At 31 December 2016	1,321	6,112	58	108	7,599
At 31 December 2017	**2,209**	**13,067**	**137**	**217**	**15,630**

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual values, as follows:

Motor vehicles	20%
Plant and machinery	20%
Office equipment	20%
Computer equipment	20%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2017 MOP'000	2016 MOP'000
Construction in progress:		
Contract costs incurred plus recognised profits less recognised losses	**511,666**	565,018
Less: progress billing	**(514,074)**	(562,454)
	(2,408)	2,564
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**6,070**	10,165
Amounts due to customers for contract works	**(8,478)**	(7,601)
	(2,408)	2,564

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017 MOP'000	2016 MOP'000
Trade receivables	**76,396**	73,513
Retention receivables	**14,622**	18,282
Other debtors, deposits and prepayments		
– Deposits	**1,028**	859
– Prepayments	**2,188**	1,871
– Deferred share issue costs	**2,692**	–
– Other	**1,684**	2,903
	98,610	97,428

No provision for doubtful debt had been recognised as at 31 December 2017 (2016: Nil).

Trade Receivables

The Group allows credit period of 0 to 90 days to its customers. The aging analysis of the Group's trade receivables, net of allowances, based on invoice date at the end of the reporting period are as follows:

	2017 MOP'000	2016 MOP'000
0 – 90 days	**62,155**	52,439
91 – 365 days	**13,450**	18,575
1 – 2 year	**696**	2,499
Over 2 years	**95**	–
	76,396	73,513

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

15. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Trade Receivables *(Continued)*

Included in the Group's trade receivables are debtors with a carrying amount of MOP31,399,000 (2016: MOP26,906,000), which are past due but not impaired as at the end of the reporting period. As there has not been a significant change in credit quality and a substantial amount of these debts were subsequently settled, the amount is still considered recoverable.

	2017 MOP'000	2016 MOP'000
Overdue but not impaired:		
0 – 90 days	**20,545**	17,772
91 – 365 days	**10,553**	6,635
1 – 2 year	**206**	2,499
Over 2 years	**95**	–
	31,399	26,906

Before accepting any new customer, the Group assesses the potential customer 's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

Retention Receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 year to 2 years from the date of the completion of the respective project.

The following is an aging analysis of retention receivables which are to be settled, based on the expiry of defect liability period, at the end of the reporting period.

	2017 MOP'000	2016 MOP'000
On demand or within one year	**9,982**	16,169
After one year	**4,640**	2,113
	14,622	18,282

Included in the Group's retention receivables are debtors with a carrying amount of MOP3,818,000 (2016: MOP6,637,000), which are past due but not impaired. As there has not been a significant change in credit quality and a substantial amount of these debts were subsequently settled, the amount are still considered recoverable.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the customers from the date credit was initially granted up to the end of the reporting period.

Notes to the Consolidated Financial Statements

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16. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	At 31 December		Maximum amount outstanding during	
	2017	2016	**2017**	2016
	MOP'000	MOP'000	**MOP'000**	MOP'000
Non-trade nature				
Amounts due from related companies				
Lei Hong Engineering Limited *(Note a)*	**–**	21,538	**21,683**	27,215
ACEL Engineering Company Limited *(Note a)*	**532**	1,830	**13,171**	15,495
Hytech Engineering & Material Co., Ltd *(Note b)*	**–**	70	**70**	70
Lei Mang Engineering Co., Ltd *(Note b)*	**–**	–	**–**	2,076
Autoduct (Macao) E & M Engineering Co., Ltd. *(Note a)*	**–**	–	**105**	–
	532	23,438		
Trade nature				
Amount due from a related company				
Melco Resorts & Entertainment Limited *(Note c)*				
– Trade receivables	**85,872**	–		
– Retention receivables	**19,275**	–		
	105,147	–		
	105,679	23,438		

The Group typically allows a credit period of 45 days to its related company. The following is an aging analysis of the amount due from a related company (trade receivables), presented based on invoice date at the end of the reporting period.

	2017	2016
	MOP'000	MOP'000
Within 90 days	**84,219**	–
91 – 365 days	**1,653**	–
	85,872	–

As at 31 December 2017, included in the amount due from a related company (trade receivables) are receivables with a carrying amount of MOP5,397,000 (2016: nil) which are past due but not impaired. As there has not been a significant change in credit quality and a substantial amount of this related company was subsequently settled, the amount is still considered recoverable.

	2017	2016
	MOP'000	MOP'000
Overdue but not impaired:		
0 – 90 days	**5,233**	–
91 – 365 days	**164**	–
	5,397	–

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16. AMOUNTS DUE FROM (TO) RELATED COMPANIES *(Continued)*

The following is an aging analysis of the amount due from a related company (retention receivables) which are to be settled, based on the expiry of defect liability period, at the end of the reporting period.

	2017 **MOP'000**	2016 MOP'000
On demand or within one year	**896**	–
After one year	**18,379**	–
	19,275	–

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, representing 1 year from the date of the completion of the respective project.

As at 31 December 2017, included in the amount due from a related company (retention receivables) are retention receivables with a carrying amount of MOP502,000 (2016: nil), which are past due but not impaired. As there has not been a significant change in credit quality, the amount is still considered recoverable.

	2017 **MOP'000**	2016 MOP'000
Non-trade nature		
Amounts due to related companies		
Lei Hong Engineering Limited *(Note a)*	**405**	–
ACEL Engineering Company Limited *(Note a)*	**2,334**	–
	2,739	–
Trade nature		
Amounts due to related companies		
ACEL Engineering Company Limited *(Note a)*	**–**	1,952
Sieger Facilities Management Limited *(Note b)*	**–**	2,609
Lei Mang Engineering Co., Ltd *(Note b)*	**–**	4,581
	–	9,142
	2,739	9,142

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16. AMOUNTS DUE FROM (TO) RELATED COMPANIES *(Continued)*

The credit period on the trade payables is 0 to 90 days. The following is an aging analysis of the trade payables from related companies presented based on invoice date at the end of the reporting period.

	2017 **MOP'000**	2016 MOP'000
Within 90 days	–	8,426
91 – 365 days	–	716
	–	9,142

Notes:

(a) The Controlling Shareholders have beneficial interests over these related companies.

(b) These companies were related companies in which Controlling Shareholders have beneficial interests. In July 2017, the equity interest of the Controlling Shareholders were transferred to third parties, therefore these companies were no longer related companies of the Group since July 2017.

(c) Mr. Ho Lawrence Yau Lung ("Mr. Ho") is the controlling shareholder of Melco Resorts & Entertainment Limited, which became the Group's related company since June 2017 when Mr. Ho became a 29.4% shareholder of the Company through King Dragon (wholly owned by Mr. Ho) in June 2017.

As at the end of the reporting period, the non-trade amounts with related companies are unsecured, interest-free and repayable on demand.

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17. AMOUNTS DUE FROM (TO) SHAREHOLDERS

Shareholders	Terms	At 31 December 2017 MOP'000	At 31 December 2016 MOP'000	Maximum amount outstanding during 2017 MOP'000	Maximum amount outstanding during 2016 MOP'000
Amounts due from shareholders					
Non-trade nature					
Mr. Sou	Unsecured, interest-free and repayable on demand	**38**	38	**38**	38
Mr. Kuok	Unsecured, interest-free and repayable on demand	**–**	13,923	**13,923**	18,914
Mr. Lam	Unsecured, interest-free and repayable on demand	**–**	12,491	**12,491**	15,458
Mr. Lao	Unsecured, interest-free and repayable on demand	**8**	8	**8**	8
		46	26,460		
Amounts due to shareholders					
Non-trade nature					
Mr. Kuok	Unsecured, interest-free and repayable on demand	**1,938**	–		
Mr. Lam	Unsecured, interest-free and repayable on demand	**3,083**	–		
		5,021	–		

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2017 MOP'000	2016 MOP'000
Pledged bank deposits	**41,108**	26,457
Bank balances and cash	**165,882**	107,367

Pledged bank deposits represent bank deposits which are pledged to secure bank guarantee to the Group. As at 31 December 2017, the pledged bank deposits carried interest rate range of 0.2%-1.3% (2016: 0.84%-0.9%) per annum and with an original maturity of three months to one year.

As at 31 December 2017, bank balances carry interest at prevailing market rates at 0.01% (2016: 0.01%) per annum.

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18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

The carrying amount of the Group's pledged bank deposits and bank balances and cash denominated in a currency other than functional currency of the relevant group entities at the reporting date is as follows:

	2017 **MOP'000**	2016 MOP'000
HK$	**159,286**	113,993

19. CREDITORS AND ACCRUED CHARGES

	2017 **MOP'000**	2016 MOP'000
Trade payables	**79,572**	39,780
Retention payables	**1,240**	2,423
Other creditors and accrued charges		
– Accrued expenses and construction costs	**97,285**	13,795
– Receipt in advance	**682**	25,410
	178,779	81,408

The credit period on trade purchases is 0 to 90 days. Aging analysis of the Group's trade payables based on invoice dates at the end of the reporting period is as follows:

	2017 **MOP'000**	2016 MOP'000
0 – 90 days	**73,279**	36,540
91 – 365 days	**5,133**	3,080
1 – 2 years	**1,160**	160
	79,572	39,780

Retention payables are interest-free and payable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the completion date of the respective project.

The following is an aging analysis of retention payables which are to be settled, based on the expiry of the defect liability period, at the end of the reporting period.

	2017 **MOP'000**	2016 MOP'000
On demand or within one year	**1,240**	2,423

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20. SHARE CAPITAL

At 31 December 2016, the share capital of the Group represents the aggregate share capital of EHY and SHY of MOP40,000 and MOP50,000, respectively.

Upon completion of the Reorganisation, the share capital of the Group as at 31 December 2017 represented the issued share capital of the Company with carrying amount of MOP20.6.

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	Share capital MOP
Ordinary shares of HK$0.01 each		
Authorised:		
On date of incorporation on 8 May 2017 and at 31 December 2017	38,000,000	391,400
Issued:		
At 8 May 2017 (date of incorporation)	1,000	10.3
Issue of shares on 31 May 2017 pursuant to the Reorganisation	1,000	10.3
At 31 December 2017	**2,000**	**20.6**

Notes to the Consolidated Financial Statements

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21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 MOP'000
Non-current asset	
Investments in subsidiaries	**147,204**
Current assets	
Deferred share issued costs	**2,692**
Bank balances and cash	**4**
	2,696
Current liabilities	
Accrued charges	**3,647**
Amount due to a subsidiary	**15,008**
	18,655
Net current liabilities	**(15,959)**
Net assets	**131,245**
Capital and reserves	
Share capital	**–***
Reserves	**131,245**
Total equity	**131,245**

* Less than MOP1,000

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21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement on the Company's reserves

	Share premium MOP'000	Accumulated loss MOP'000	Total MOP'000
At 8 May 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the year	–	(15,959)	(15,959)
Effect of group reorganisation *(note 1)*	147,204	–	147,204
At 31 December 2017	**147,204**	**(15,959)**	**131,245**

22. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 MOP'000	2016 MOP'000
Within one year	**328**	252

Including in the operating leases commitments, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases with Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok) in respect of rented premises which fall due as follows:

	2017 MOP'000	2016 MOP'000
Within one year	**214**	66

The leases are generally negotiated for a lease term of one to three years at fixed rentals.

23. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitments in respect of the acquisition of property, plant and equipment.

	2017 MOP'000	2016 MOP'000
Contracted but not provided for	**–**	3,966

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24. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year.

Name of related parties	Nature of transaction	2017 MOP'000	2016 MOP'000
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Office rental expenses	**610**	540
	Warehouse rental expenses	**198**	198
ACEL Engineering Company Limited	Construction works expenses	**206**	1,952
	Service fee expenses	**3,400**	6,800
Hytech Engineering & Material Co., Ltd	Construction works expenses	**1,179**	1,597
Sieger Facilities Management Limited	Facilities management expenses	**14,360**	5,183
Lei Mang Engineering Co., Ltd	Consultancy service expenses	**1,859**	12,810
	Construction service income	**502**	2,583
Autoduct (Macao) E&M Engineering Co., Ltd. *(Note a)*	Construction works expenses	**261**	27
Kappa Electrical & Mechanical Engineering Co., Ltd *(Note b)*	Construction works expenses	**4,620**	45
	Construction service income	**264**	–
Ou Hou Investment and Development Co., Ltd *(Note b)*	Construction works expenses	**–**	5,177
Melco Resorts & Entertainment Limited	Construction service income	**287,136**	–
Macao Modern Environmental Protection Technology Company Limited *(Note a)*	Purchase of raw material	**148**	–

Notes:

(a) The Controlling Shareholders have beneficial interests over the related companies.

(b) These companies were related companies in which Controlling Shareholders have beneficial interests. In July 2017, the equity interest of the Controlling Shareholders were transferred to third parties, therefore these companies were not related companies of the Group since July 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

24. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The directors of the Company and senior management of the Group are identified as key management members of the Group. Their short-term benefits and post-employment benefits for the year ended 31 December 2017 are MOP6,872,000 (2016: nil) and MOP11,000 (2016: nil), respectively.

25. INVESTMENTS IN AND PARTICULARS OF SUBSIDIARIES

The unlisted investments in subsidiaries of the Company was MOP147,204,000 as at 31 December 2017.

The amount due to a subsidiary of the Company as at 31 December 2017 is unsecured, interest free and repayable on demand.

Details of the subsidiaries directly and individually held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place and the date of incorporation/establishment	Issued and fully paid	Equity interest attributable to the Company as at 31 December 2017	31 December 2016	Principal activities
Directly held:					
MECOM EHY	British Virgin Islands 10 May 2017	HK$1	**100%**	–	Investment holding
MECOM Hung Yip	British Virgin Islands 10 May 2017	HK$1	**100%**	–	Investment holding
MECOM Sun Hung Yip	British Virgin Islands 10 May 2017	HK$1	**100%**	–	Investment holding
Indirectly held:					
EHY	Macau Special Administrative Region 7 September 2010	MOP40,000	**100%**	100%	Construction works and civil engineering
SHY	Macau Special Administrative Region 12 March 2008	MOP50,000	**100%**	100%	Construction works and civil engineering

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debts, which includes amounts due to shareholders and related companies, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts.

27. FINANCIAL INSTRUMENTS

27a. Categories of financial instruments

	2017 MOP'000	2016 MOP'000
Financial assets		
Loans and receivables (including bank balances and cash)	**406,445**	279,279
Financial liabilities		
Amortised cost	**185,857**	65,140

27b. Financial risk management objectives and policies

The Group's major financial instruments include debtors and deposits, amounts due from shareholders and related companies, pledged bank deposits, bank balances and cash, creditors and accrued charges and amounts due to shareholders and related companies. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through purchase of raw materials and services and sales proceeds received from customers that are denominated in currencies other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK$, United States Dollars ("US$") and Renminbi ("RMB"). The management of the Group considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in HK$ and MOP of each individual group entity and HK$ is pegged with MOP.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets	
	2017	2016
	MOP'000	MOP'000
HK$	**312,109**	164,129

	Liabilities	
	2017	2016
	MOP'000	MOP'000
US$	**–**	6,989
RMB	**275**	–
HK$	**50,649**	19,391

Sensitivity analysis

For the exposure to the fluctuation in US$ against MOP, RMB against MOP and HK$ against MOP, the directors of the Company are of opinion that such exposure is insignificant and no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

The directors of the Company consider that the overall interest rate risk is not significant and no sensitivity analysis is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in note 28.

The Group is exposed to concentration of credit risk on trade and retention receivables and trade-nature amounts due from related companies from the Group's top five major customers amounting to MOP160,506,000 (2016: MOP48,789,000) and accounted for 82% (2016: 53%) of the Group's total trade and retention receivables and trade-nature amounts due from related companies. The major customers of the Group are certain reputable organisations.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 – 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2017						
Non-derivative financial liabilities						
Creditors and accrued charges	–	**178,097**	–	–	**178,097**	**178,097**
Amounts due to related companies	–	**2,739**	–	–	**2,739**	**2,739**
Amounts due to shareholders	–	**5,021**	–	–	**5,021**	**5,021**
		185,857	–	–	**185,857**	**185,857**

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 – 2 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2016						
Non-derivative financial liabilities						
Creditors and accrued charges	–	54,452	1,546	–	55,998	55,998
Amounts due to related companies	–	9,142	–	–	9,142	9,142
Financial guarantee contracts	–	279,500	–	–	279,500	–
		343,094	1,546	–	344,640	65,140

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

27c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

28. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group and its related companies require the group entities, its related parties including the Controlling Shareholders to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits (note 18), promissory notes and certain properties owned by Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of the reporting period, the Group and its related companies had outstanding performance bonds as follows:

	2017 **MOP'000**	2016 MOP'000
Issued to the Group by banks	**179,327**	105,926

As at 31 December 2017, the Group has obtained total credit facilities of approximately MOP489,000,000 for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP41.1 million; (ii) the promissory notes of approximately MOP744,800,000; and (iii) the personal guarantees of Mr. Kuok and Mr. Sou. Subsequent to the end of the reporting period, the personal guarantees of Mr. Kuok and Mr. Sou have been released and are replaced by (iv) corporate guarantee provided by the Company.

As at 31 December 2016, the Group has given cross guarantees to banks in respect of credit facilities granted to the EHY, SHY and related companies totalling an aggregated principal amount of MOP279,500,000. The banking facilities are secured and guaranteed by pledged bank deposits (note 18), promissory notes endorsed by EHY and SHY of an aggregate amount of MOP595,133,000, certain properties owned by Mr. Kuok and Ms. Wong Fong Peng and the personal guarantees of Mr. Kuok and Mr. Sou.

The fair value of the financial guarantee contract was determined based on the present value of expected payments when default occurs, where the main assumptions are the probability of default by the specific counterparty and the expected loss, given a default. In the opinion of the management of the Group, the fair value of the financial guarantee contract of the Group is insignificant at initial recognition and the management of the Group considered that the possibility of default of the parties involved was remote. Accordingly, no value has been recognised in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

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29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies MOP'000	Amounts due to shareholders MOP'000	Accrued share issue costs MOP'000	Dividend payable MOP'000	Total MOP'000
At 1 January 2017	–	–	–	–	–
Financing cash flows *(Note)*	2,739	5,021	(2,384)	(41,200)	(35,824)
Share issue costs accrued	–	–	2,692	–	2,692
Dividend declared	–	–	–	41,200	41,200
At 31 December 2017	**2,739**	**5,021**	**308**	**–**	**8,068**

	Amounts due to shareholders MOP'000	Dividend payable MOP'000	Total MOP'000
At 1 January 2016	2,053	–	2,053
Financing cash flows *(Note)*	(2,053)	(61,800)	(63,853)
Dividend declared	–	61,800	61,800
At 31 December 2016	–	–	–

Note: The cash flows make up the net amount of advances from and repayment to shareholders/related companies, dividend paid or share issue costs paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

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30. SUBSEQUENT EVENTS

Subsequent to 31 December 2017, the following significant events took place:

(i) On 23 January 2018, written resolutions of all shareholders of the Company were passed to approve the below matters:

a. the increase in authorised share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each;

b. conditionally upon the share premium account of the Company being credited as a result of the global offering (the "Global Offering") resulting from the Listing, the directors of the Company were authorised to capitalise an amount of HK$9,599,980 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 959,998,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company immediately upon the completion of the Global Offering; and

c. the adoption of a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

(ii) On 13 February 2018, a total of 959,998,000 shares were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK$9,599,980 standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued to the persons whose names appear on the register of members of the Company.

(iii) On 13 February 2018, 240,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$1.25 per share by way of Global Offering. On the same date, the shares were listed on the Main Board of the Stock Exchange.

Financial Summary

	Year ended 31 December			
	2017	2016	2015	2014
	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS				
Revenue	**658,746**	464,882	543,424	446,244
Profit before tax	**86,668**	82,918	113,139	84,275
Income tax expense	**(8,474)**	(14,917)	(16,064)	(11,322)
Profit and total comprehensive income for the year	**78,194**	68,001	97,075	72,953
Basic earnings per share (MOP cents)	**8.15**	7.08	10.11	7.60

	At 31 December			
	2017	2016	2015	2014
	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES				
Total assets	**433,025**	307,197	342,339	296,468
Total liabilities	**(231,093)**	(142,259)	(183,602)	(203,906)
Net assets	**201,932**	164,938	158,737	92,562
Total equity	**201,932**	164,938	158,737	92,562

Note: The results for the years ended 31 December 2014, 2015 and 2016 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the years ended 31 December 2014, 2015 and 2016 have been extracted from the Company's Prospectus dated 1 February 2018.