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

2018 Interim Report

Contents

2 Corporate Information

4 Management Discussion and Analysis

12 Corporate Governance and Other Information

17 Report on Review of Condensed Consolidated Financial Statements

18 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

19 Condensed Consolidated Statement of Financial Position

20 Condensed Consolidated Statement of Changes in Equity

21 Condensed Consolidated Statement of Cash Flows

22 Notes to the Condensed Consolidated Financial Statements

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
35th Floor, 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

Management Discussion and Analysis

BUSINESS REVIEW

MECOM Power and Construction Limited (the "**Company**" or "**MECOM**", together with its subsidiaries, the "**Group**") primarily undertakes highly challenging and complex construction projects in Macau, particularly those involving structural steelworks, and also high voltage power substation construction projects. It also provides facilities management, alteration, and maintenance works and services. As one of the industry leaders in Macau, the Group ranks high in the civil engineering market and the high voltage power substation construction project market in Macau.

MECOM was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 February 2018 (the "**Listing**"), opening a new chapter in its development history. The Listing has enhanced the Group's corporate profile and strengthened recognition from customers, which has solidified its foundation for future development.

For the six months ended 30 June 2018 (the "**Period**"), the Group continued to actively expand its businesses. Total revenue of the Group from the three business segments, namely (a) structural steelworks, civil engineering construction and fitting out and renovation works, (b) high voltage power substation construction and its system installation works, and (c) facilities management, alteration and maintenance works and services, amounted to MOP362.9 million, 24.8% higher than that of MOP290.8 million for the same period last year. The increase was mainly due to the significant growth in high voltage power substation construction and its system installation works as well as facilities management, alteration and maintenance works and services business. However, part of the growth was offset by the slight decline in the structural steelworks, civil engineering construction and fitting out and renovation works business.

Gross profit remained stable at MOP54.3 million for the Period, 0.7% lower than that of MOP54.7 million in the same period last year. The gross profit margin was 15.0% (for the same period of 2017: 18.8%). The decline was a result of the completion of several hotel projects during the Period which reduced the Group's available labour quota and drove labour costs up, and the Group's adoption of a more competitive pricing strategy in order to secure more projects. The Group recorded profit of MOP20.8 million in the Period, 34.9% lower than that of MOP32.0 million for the same period last year. Excluding the one-off listing expenses of MOP14.4 million, the adjusted profit for the Period would have been MOP35.2 million, 8.9% lower than that of the same period last year. Net profit margin and adjusted net profit margin was 5.7% and 9.7%, respectively (for the same period of 2017: 11.0% and 13.3%, respectively).

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Segment Analysis

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

The Group's structural steelworks services generally include 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 include demolition, ground field investigation, site formation and foundation works, as well as substructures and superstructures, roads and drainage. Fitting out and renovation works generally include 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.

During the Period, revenue from structural steelworks, civil engineering construction, and fitting out and renovation works was MOP225.0 million, representing a decrease of 5.0% from the corresponding period last year, and accounted for 62.0% of the Group's total revenue. The decrease was mainly due to the completion of some of the large-scale structural steelworks and civil engineering construction projects during the Period, leading to a decline in revenue recognised. To maximise the chance of winning tenders, the Group has carefully considered the nature and complexity of the projects and adopted more competitive pricing after conducting costing and pricing analysis. While this strategy may pose pressure on segmental gross profit margin, the Group believes that it is conducive to the Group's effort to expand its customer base which can further facilitate its overall development. In the future, the Group will strive to achieve a balance and maintain the gross profit margin at a reasonable level.

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 Period, revenue of this segment amounted to MOP96.1 million, representing an increase of 252.2% from the same period last year, which accounted for 26.5% of the Group's total revenue. The increase was mainly attributable to the provision of electrical and mechanical ("**E&M**") works, together with its power project partner, to the 110/11kV high voltage power substation in the theme park of a casino gaming operator in Macau during the Period, thus the revenue recognised from high voltage power substation construction and its system installation works increased substantially.

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 Period, benefitting from the rising demand for facilities management and related works and services in Macau, the Group secured more engineering contracts, resulting in the revenue climbing 57.2% as compared to the same period last year to MOP41.8 million and contributing 11.5% of its total revenue during the Period. However, there was a shortage of construction workers in Macau during the Period. The number of foreign workers introduced into Macau was insufficient to meet the demand, so labour costs have notably increased, thus affecting the operation of its facilities management, alteration and maintenance works and services segment. The Group will apply for additional labour quota after new project(s) are secured to mitigate the cost pressure.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Prospects

Taking advantage of the national policies and holistic planning of Macau, the city continues to develop its tourism industry which presents an advantageous situation. More facilities are to be built to turn Macau into an international tourism and leisure centre. Many operators of hotels and entertainment facilities already announced that they will step up investments and launch a variety of large-scale projects for hotels and sight-seeing facilities. Existing hotels, casinos and other entertainment venues have also confirmed their upgrade and renovation plans. The Group believes that infrastructure-related industries including integrated construction engineering services and power generation facilities offer enormous room for development, as more large-scale construction projects commence in the city.

To capture these opportunities, the Group intends to leverage its extensive professional technological capabilities and experience and its in-depth knowledge of the market. Most notably, it intends to more actively participate in biddings for new projects to expand its businesses, and also add new facilities and hire additional staff in order to enlarge its market share in the potentially lucrative Macau market. The Group has been invited to take part in biddings for the development projects of large-scale hotels and entertainment facilities in Macau. Based on its successful experience, it is confident that it can continue to secure new construction projects in the future. Looking ahead to the second half of the year, several projects, tenders for which were won by the Group, including the high voltage power substation construction for Macau's light rail transit system, will begin construction and are expected to contribute to the Group's future operating results.

Furthermore, given the surging power consumption in Macau in recent years and after the typhoon disaster last August, the Macau SAR Government has decided to build a new power plant and is also evaluating the feasibility of upgrade of power substations in old districts. The decision has stimulated a huge demand for high voltage power substation construction and system installation works. To meet the demand for surging power consumption, the market has promoted the development of renewable energy. Amongst all renewable energies, solar power technology has the strongest development potential as the technology matures and becomes more widespread. Through its accumulated experience in the design, construction and management of solar power generation facilities, the Group is capable of implementing quality and efficient construction and management and, at the same time, it has maintained a solid cooperative relationship with the providers of related technologies and equipment. Hence, it is confident that it will achieve more fruitful results in the solar power generating facilities business.

Moreover, the Group will endeavor to enhance its efficiency in all aspects of its operations. It will also strive to maintain its profitability and financial stability through an effective pricing strategy and stringent cost control policy. Measures taken towards this end include applying for a larger quota for the employment of more imported workers in line with the progress of the construction projects, so as to avoid delays in works and rising costs due to labour shortages, and hiring additional project management staff to raise the Group's overall professional and technical capability, ensuring that the construction works will be completed smoothly and efficiently.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased by MOP72.1 million, or 24.8%, from MOP290.8 million for the six months ended 30 June 2017 to MOP362.9 million for the six months ended 30 June 2018, 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 decreased by MOP11.9 million, or 5.0%, from MOP236.9 million for the six months ended 30 June 2017 to MOP225.0 million for the six months ended 30 June 2018. Such decrease was mainly due to the fact that we had substantial progress of works for some of our large-scale projects in this business stream (such as the site management project and the high end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel) during 2017 (which were completed in 2018).

(ii) High Voltage Power Substation Construction and Its System Installation Works

Our revenue from high voltage power substation construction and its system installation works increased by MOP68.8 million, or 252.2%, from MOP27.3 million for the six months ended 30 June 2017 to MOP96.1 million for the six months ended 30 June 2018. Such increase was mainly due to the revenue of MOP66.4 million generated from the E&M works contract for the 110/11kV high voltage power substation of the theme park of a casino gaming operator in Macau as part of a consortium with its power projects partner in 2018.

(iii) Facilities Management, Alteration and Maintenance Works and Services

Our revenue from facilities management, alteration and maintenance works and services increased by MOP15.2 million, or 57.2%, from MOP26.6 million for the six months ended 30 June 2017 to MOP41.8 million for the six months ended 30 June 2018. 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 July 2017.

Cost of Services

Our cost of services increased by MOP72.5 million, or 30.7%, from MOP236.1 million for the six months ended 30 June 2017 to MOP308.6 million for the six months ended 30 June 2018, which was largely in line with an increase in our revenue, and mainly reflected by an increase in our material costs by MOP60.3 million, or 165.2%, from MOP36.5 million for the six months ended 30 June 2017 to MOP96.8 million for the six months ended 30 June 2018 mainly due to an increase in costs of power systems used in the E&M works contract for the 110/11kV high voltage power substation for 2018.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended 30 June 2018 amounted to MOP54.3 million, which was about in line compared to that of MOP54.7 million for the six months ended 30 June 2017. The fluctuation of our gross profit of each of our business streams also followed the fluctuation of our cost of services of each of our business streams.

The gross margin of our structural steelworks, civil engineering construction, and fitting out and renovation works decreased from 19.7% for the six months ended 30 June 2017 to 18.2% for the six months ended 30 June 2018 primarily attributable to the adoption of a more competitive pricing strategy in tendering our large-scale projects awarded since the second half of 2016 in the view of the keen market competition.

The gross margin of our high voltage power substation construction and its system installation works increased from 10.6% for the six months ended 30 June 2017 to 12.7% for the six months ended 30 June 2018 primarily attributable to the increase in revenue in the Period, with a significant gross profit of MOP6.1 million generated from the provision of power systems for the E&M works contract of the 110/11kV high voltage power substation.

The gross margin of our facilities management, alteration and maintenance works and services decreased from 19.0% for six months ended 30 June 2017 to 2.5% for six months ended 30 June 2018 primarily attributable to more repair and replacement costs incurred and more subcontracting works were used for our facilities management and maintenance works and services in 2018.

Due to the decrease in the gross margins of each of our business streams as mentioned above, our overall gross margin decreased from 18.8% for the six months ended 30 June 2017 to 15.0% for the six months ended 30 June 2018.

Other Income

Our other income increased by MOP1.5 million, from MOP0.3 million for the six months ended 30 June 2017 to MOP1.8 million for the six months ended 30 June 2018. Other income mainly consisted of bank interest income.

Administrative Expenses

Our administrative expenses increased by 81.4% from MOP9.1 million for the six months ended 30 June 2017 to MOP16.6 million for six months ended 30 June 2018 primarily attributable to (i) an increase in our staff costs mainly due to the recognition of our Directors' emoluments of MOP4.5 million; and (ii) an increase in our legal and professional fees incurred after the Listing.

Listing Expenses

Listing expenses of MOP14.4 million was incurred for the six months ended 30 June 2018, compared to that of MOP6.7 million for the six months ended 30 June 2017.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Income Tax Expense

Our income tax expense decreased by 40.5% from MOP7.2 million for the six months ended 30 June 2017 to MOP4.3 million for the six months ended 30 June 2018, which was largely in line with the decrease in our profit before tax mainly due to an increase in our administrative expenses as disclosed above.

Profit for the Period

Our profit for the Period decreased by 34.9% from MOP32.0 million for the six months ended 30 June 2017 to MOP20.8 million for the six months ended 30 June 2018 primarily attributable to (i) the combined effect of the abovementioned items; and (ii) the recognition of our listing expenses of MOP14.4 million for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2018 MOP'000	As at 31 December 2017 MOP'000
Current assets	**686,139**	417,395
Current liabilities	**267,564**	231,093
Current ratio	**2.6**	1.8

As at 30 June 2018, the Group had net current assets of MOP418.6 million (31 December 2017: MOP186.3 million). The current ratio of the Group as at 30 June 2018 was 2.6 (31 December 2017: 1.8).

Cash Position and Fund Available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and proceeds from the Listing. As at 30 June 2018, our bank balances and cash (including fixed bank deposits) were MOP383.4 million (as at 31 December 2017: MOP165.9 million). The unutilised credit facilities was MOP209.7 million (as at 31 December 2017: MOP309.7 million) as at 30 June 2018.

Gearing Ratio

As at 30 June 2018, the Group had no bank borrowings (as at 31 December 2017: Nil) and the Group's gearing ratio was zero (as at 31 December 2017: zero).

CAPITAL STRUCTURE

As at 30 June 2018, the share capital and equity amounted to MOP12.4 million and MOP431.9 million, respectively (as at 31 December 2017: MOP20 and MOP201.9 million, respectively).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions amounts, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 30 June 2018, 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

The Group had no significant investments, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period. Save as disclosed in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 30 June 2018.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company (the "**Shares**") have been listed and traded on the Main Board of the Stock Exchange since 13 February 2018.

The net proceeds from the global offering (the "**Global Offering**") were HK$261.6 million (equivalent to approximately MOP269.4 million) after deducting underwriting fees and commissions and all related expenses. Such net proceeds are intended to be applied in accordance with the proposed applications as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing.

The following table sets out the proposed applications of the net proceeds and actual usage as at 30 June 2018:

	Proposed applications (HK$ million)	**Actual usage (HK$ million)**
Financing the issuance of performance bonds when undertaking new projects	112.4	5.7
Establishing storage facilities	61.0	–
Recruiting additional staff	45.2	1.6
Acquiring additional machinery	16.8	0.2
General working capital	26.2	26.2
	261.6	33.7

As at 30 June 2018, the unutilised net proceeds from the Global Offering were deposited in the bank accounts of the Group.

PLEDGE OF ASSETS

As at 30 June 2018, the Group had pledged bank deposits of MOP22.7 million (as at 31 December 2017: MOP41.1 million) that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2018.

Management Discussion and Analysis

COMMITMENTS

The contractual commitments of the Group are primarily related to the leasing of its office premise and warehouses. The Group's operating lease commitments amounted to MOP328,000 (as at 31 December 2017: MOP328,000) as at 30 June 2018.

As at 30 June 2018, the Group did not have any significant capital commitments (as at 31 December 2017: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 406 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 package 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 on 23 January 2018 (the "**Share Option Scheme**"), 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. During the period from 13 February 2018 to 30 June 2018 (the "**Relevant Period**"), 1,900,000 options have been granted to the eligible participants pursuant to the Share Option Scheme. As at 30 June 2018, none of the options granted has been exercised or lapsed.

FUTURE PROSPECTS

The Listing marked an important milestone in the development 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 (the "**Board**") of directors (the "**Directors**") of the Company is optimistic that the Group can maintain steady growth in net profit and scale of operations having considered its long established reputation, experience and proven ability in the industry.

Corporate Governance and Other Information

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 of the Company (the "**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**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices. During the Relevant Period, the Board is of the view that the Company has complied with all the code provisions of the CG Code.

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 to the Listing Rules. 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.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of HK1.0 cent per Share for the Period. Such interim dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 18 September 2018. It is expected that the interim dividend will be paid on or about Friday, 28 September 2018.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

Corporate Governance and Other Information

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company 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.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of Shares(Note 1)	Number of underlying shares(Note 2)	Approximate percentage of shareholding interest(Note 3)
Mr. Kuok Lam Sek ("**Mr. Kuok**") (Note 4)	Interest of the controlled corporation	600,960,000 (L)	–	50.08%
Mr. Sou Kun Tou ("**Mr. Sou**") (Note 4)	Interest of the controlled corporation	600,960,000 (L)	–	50.08%
Ms. Chan Po Yi, Patsy	Beneficial interest	–	200,000 (L)	0.02%
Mr. Cheung Kiu Cho, Vincent	Beneficial interest	–	200,000 (L)	0.02%
Dr. Ngan Matthew Man Wong	Beneficial interest	–	200,000 (L)	0.02%

Notes:

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

(2) As at 30 June 2018, the interests in the underlying shares are in relation to the share options granted under the Share Option Scheme. Details of the share options granted are set out in the section headed "Share Option Scheme" of this interim report.

(3) Based on 1,200,000,000 Shares in issue as at 30 June 2018.

(4) 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.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Interest in shares	Percentage holding
Mr. Kuok (Note)	MECOM Holding Limited	Beneficial owner and interest held jointly with another person	100	100%
Mr. Sou (Note)	MECOM Holding Limited	Beneficial owner 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 interim report, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying shares of the Company as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Total number of Shares (Note 1)	Approximate percentage of shareholding interest
Mr. Lam (Note 2)	Interest of the controlled corporation	600,960,000 (L)	50.08%
Mr. Lao (Note 2)	Interest of the controlled corporation	600,960,000 (L)	50.08%
MECOM Holding Limited	Beneficial owner	600,960,000 (L)	50.08%
Mr. Ho, Lawrence Yau Lung (Note 3)	Interest of the controlled corporation	240,000,000 (L)	20.00%
King Dragon Ventures Limited ("**King Dragon**")	Beneficial owner	240,000,000 (L)	20.00%

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

(Continued)

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, Lawrence Yau Lung. 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 Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Shareholders on 23 January 2018 and became effective upon the Listing. Details of the Share Option Scheme have been disclosed in the 2017 Annual Report of the Company.

Details of movements in the share options under the Share Option Scheme during the Period and options outstanding at the end of the Period are as follows:

		Changes during the Period							
Name of grantees	**Date of grant**	**Granted**	**Exercised**	**Lapsed**	**Cancelled**	**Number of share options held as at 30 June 2018**	**Exercise price per Share (HK$)**	**Exercisable period**	**Closing price per Share immediately before date of grant of share options (HK$)**
Directors									
Ms. Chan Po Yi, Patsy	3 April 2018	200,000	–	–	–	200,000	1.8	3 April 2018 to 2 April 2028 (Note 1)	1.84
Mr. Cheung Kiu Cho, Vincent	3 April 2018	200,000	–	–	–	200,000	1.8	3 April 2018 to 2 April 2028 (Note 1)	1.84
Dr. Ngan Matthew Man Wong	3 April 2018	200,000	–	–	–	200,000	1.8	3 April 2018 to 2 April 2028 (Note 1)	1.84
Employees	3 April 2018	250,000	–	–	–	250,000	1.8	3 April 2018 to 2 April 2028 (Note 1)	1.84
Consultants	3 April 2018	1,050,000	–	–	–	1,050,000	1.8	3 April 2018 to 2 April 2028 (Note 1)	1.84
Total		**1,900,000**	**-**	**-**	**-**	**1,900,000**			

Notes:

(1) These share options are exercisable in four tranches, namely: (a) 25% shall be exercisable at any time during the period commencing from 3 April 2018 and ending on 2 April 2028; (b) 25% shall be exercisable at any time during the period commencing from 3 April 2019 and ending on 2 April 2028; (c) 25% shall be exercisable at any time during the period commencing from 3 April 2020 and ending on 2 April 2028; and (d) 25% shall be exercisable at any time during the period commencing from 3 April 2021 and ending on 2 April 2028.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established the audit committee of the Board (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 (the Chairlady of the Audit Committee), Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong, all being independent non-executive Directors.

The primary duties of the Audit Committee are to (among others) 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 may be assigned by the Board from time to time.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee and the Company's external auditor, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group and have reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this interim report.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2018, save as disclosed in the announcement of the Company dated 31 July 2018 in respect of (among others) certain proposed continuing connected transactions for project and supply works and facility management services, the Group did not have any material events which need to be brought to the attention of the Stock Exchange or the Shareholders of the Company.

On behalf of the Board
MECOM Power and Construction Limited
Kuok Lam Sek
Chairman

Hong Kong, 30 August 2018

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
MECOM POWER AND CONSTRUCTION LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of MECOM Power and Construction Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 44, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2018

	Notes	**Six months ended 30 June** **2018** **MOP'000** **(Unaudited)**	2017 MOP'000 (Unaudited)
Revenue	3	**362,902**	290,763
Cost of services		**(308,598)**	(236,049)
Gross profit		**54,304**	54,714
Other income	4	**1,790**	321
Other losses	5	**– ***	(17)
Administrative expenses		**(16,557)**	(9,127)
Listing expenses		**(14,424)**	(6,667)
Profit before tax	6	**25,113**	39,224
Income tax expense	7	**(4,282)**	(7,202)
Profit and total comprehensive income for the period		**20,831**	32,022
Basic and diluted earnings per share (MOP cents)	8	**1.82**	3.34

* Less than MOP1,000

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	**30 June 2018 MOP'000 (Unaudited)**	31 December 2017 MOP'000 (Audited)
Non-current asset			
Property, plant and equipment	10	**13,347**	15,630
Current assets			
Contract assets	11	**34,049**	–
Amounts due from customers for contract works		**–**	6,070
Debtors, deposits and prepayments	12	**167,371**	98,610
Amounts due from related companies	13	**78,622**	105,679
Amounts due from shareholders		**–**	46
Pledged bank deposits	14	**22,657**	41,108
Fixed bank deposits	14	**214,858**	–
Bank balances and cash	14	**168,582**	165,882
		686,139	417,395
Current liabilities			
Contract liabilities	11	**453**	–
Amounts due to customers for contract works		**–**	8,478
Amounts due to related companies	13	**74**	2,739
Amounts due to shareholders		**–**	5,021
Creditors and accrued charges	15	**146,481**	178,779
Tax liabilities		**37,744**	36,076
Dividend payables		**82,812**	–
		267,564	231,093
Net current assets		**418,575**	186,302
Net assets		**431,922**	201,932
Capital and reserves			
Share capital	16	**12,360**	– *
Reserves		**419,562**	201,932
Total equity		**431,922**	201,932

* Less than MOP1,000

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2018

	Share capital MOP'000	Share premium MOP'000	Share options reserve MOP'000	Legal reserves MOP'000 (Note a)	Other reserves MOP'000 (Note b)	Retained earnings MOP'000	Total MOP'000
At 1 January 2017 (audited)	90	–	–	45	–	164,803	164,938
Profit and total comprehensive income for the period	–	–	–	–	–	32,022	32,022
Shares issued at date of incorporation (note 16)	–*	–	–	–	–	–	– *
Shares issued upon reorganisation and effect of reorganisation (note 16)	(90)	147,204	–	–	(147,114)	–	–
Dividend (note 9)	–	–	–	–	–	(41,200)	(41,200)
At 30 June 2017 (unaudited)	–*	147,204	–	45	(147,114)	155,625	155,760
At 1 January 2018 (audited)	**–***	**147,204**	**–**	**45**	**(147,114)**	**201,797**	**201,932**
Adjustment (note 2)	**–**	**–**	**–**	**–**	**–**	**(2,951)**	**(2,951)**
At 1 January 2018 (restated)	**–***	**147,204**	**–**	**45**	**(147,114)**	**198,846**	**198,981**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**20,831**	**20,831**
Issue of shares pursuant to capitalisation issue (note 16)	**9,888**	**(9,888)**	**–**	**–**	**–**	**–**	**–**
Issue of shares pursuant to public offering (note 16)	**2,472**	**306,528**	**–**	**–**	**–**	**–**	**309,000**
Share issue costs	**–**	**(15,190)**	**–**	**–**	**–**	**–**	**(15,190)**
Share-based compensation expenses (notes 17)	**–**	**–**	**1,112**	**–**	**–**	**–**	**1,112**
Dividend (note 9)	**–**	**–**	**–**	**–**	**–**	**(82,812)**	**(82,812)**
At 30 June 2018 (unaudited)	**12,360**	**428,654**	**1,112**	**45**	**(147,114)**	**136,865**	**431,922**

Note a: In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau Special Administrative Region ("Macau") are 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.

Note b: The balance of other reserves as at 30 June 2018 represents the difference between the aggregate share capital of MOP90,000 of EHY Construction and Engineering Company Limited ("EHY"), and Sun Hung Yip Engineering Construction Company Limited ("SHY") and the consideration of MOP147,204,000 satisfied by way of issue of shares by the Company for the acquisition of EHY and SHY by MECOM EHY Limited and MECOM Sun Hung Yip Limited respectively, pursuant to the reorganisation which was completed on 31 May 2017 in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Reorganisation").

* Less than MOP1,000

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(90,895)**	44,950
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(236)**	(3,072)
Advances to related companies	**(138)**	(11,394)
Repayments from related companies	**275**	27,550
Repayments from shareholders	**46**	26,414
Placement of fixed bank deposits	**(214,858)**	–
Placement of pledged bank deposits	**(5,329)**	(118)
Withdrawal of pledged bank deposits	**23,780**	–
Interest received	**1,621**	321
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(194,839)**	39,701
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	**309,000**	–
Share issue costs paid	**(12,806)**	(717)
Advances from shareholders	**–**	5,021
Repayments to shareholders	**(5,021)**	–
Advances from related companies	**–**	2,368
Repayments to related companies	**(2,739)**	–
Dividend paid	**–**	(41,200)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**288,434**	(34,528)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,700**	50,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**165,882**	107,367
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**168,582**	157,490

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is incorporated in the Cayman Islands with limited liability and its shares have been listed on the Stock Exchange with effect from 13 February 2018.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In addition, the Group has applied the new accounting policy in the current interim period in relation to the grant of share options.

Share-based payment arrangements

Entity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to directors of the Company and eligible persons of the Group are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 17.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Entity-settled share-based payment transactions (Continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees measured at the fair value of the goods or service received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services. The fair values of the goods or services received are recognised as expenses.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Structural steelworks, civil engineering construction, and fitting out and renovation works
- High voltage power substation construction and its system installation works
- Facilities management, alteration and maintenance works and services

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers (Continued)*

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. In accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from construction contracts

Revenue from construction contracts is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

For construction contracts that contain variable consideration such as variations in contract work, claims and incentive payment, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transactions price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Revenue from provision of services

Revenue from facilities management, alteration and maintenance works and services are provided as a fixed-price contract, with contract terms generally ranging from less than one year to two years. Revenue from fixed price contracts for delivering such services is recognised over time, when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised using a straight-line basis over the term of the contract.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers (Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018.

	Impact of adopting IFRS 15 at 1 January 2018 MOP'000
Impact on retained earnings at 1 January 2018	
Construction costs in relation to revenue recognised over time	**(2,951)**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 MOP'000	Reclassification MOP'000	Adjustment MOP'000	**Carrying amounts under IFRS 15 at 1 January 2018 MOP'000**
Current Assets					
Contract assets	(b)	–	33,897	–	**33,897**
Amounts due from customers for contract works	(a)	6,070	–	(6,070)	**–**
Debtors, deposits and prepayments	(b)	98,610	(14,622)	–	**83,988**
Amounts due from related companies	(b)	105,679	(19,275)	–	**86,404**
Current Liabilities					
Contract liabilities	(c)	–	682	–	**682**
Amounts due to customers for contract works	(a)	8,478	(5,359)	(3,119)	**–**
Creditors and accrued charges	(c)	178,779	4,677	–	**183,456**
Capital and Reserves					
Reserves	(a)	201,932	–	(2,951)	**198,981**

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers (Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)

Notes:

(a) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. MOP6,070,000 and MOP3,119,000 of amounts due from/to customers for contract works were adjusted to retained earnings.

(b) At the date of initial application, retention receivables of MOP14,622,000 and MOP19,275,000 previously included in debtors, deposits and prepayments and amounts due from related companies were reclassified to contract assets.

(c) At the date of initial application, receipt in advance of MOP682,000 previously included in creditors and accrued charges was reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported MOP'000 (Unaudited)	Adjustments MOP'000	Amount without application of IFRS 15 MOP'000 (Unaudited)
Current assets			
Contract assets	**34,049**	**(34,049)**	**–**
Amount due from customers for contract works	**–**	**1,757**	**1,757**
Debtors, deposits and prepayments	**167,371**	**18,009**	**185,380**
Amounts due from related companies	**78,622**	**16,040**	**94,662**
Current liabilities			
Contract liabilities	**453**	**(453)**	**–**
Creditors and accrued charges	**146,481**	**453**	**146,934**
Amounts due to customers for contract works	**–**	**522**	**522**
Capital and reserves			
Reserves	**419,562**	**1,235**	**420,797**

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers (Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported MOP'000 (Unaudited)	Adjustments MOP'000	Amount without application of IFRS 15 MOP'000 (Unaudited)
Revenue	362,902	–	362,902
Cost of services	(308,598)	(1,716)	(310,314)
Gross profit	54,304	(1,716)	52,588
Other income	1,790	–	1,790
Administrative expenses	(16,557)	–	(16,557)
Listing expenses	(14,424)	–	(14,424)
Profit before tax	25,113	(1,716)	23,397
Income tax expense	(4,282)	–	(4,282)
Profit and total comprehensive income for the period	20,831	(1,716)	19,115

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments*

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and contract assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material impact on the classification and measurement of financial assets on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments (Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, contract assets, amounts due from related companies, pledged bank deposits, fixed bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade-nature amounts due from related companies) and contract assets. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments (Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments (Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables (including trade-nature amounts due from related companies) and contract assets. Loss allowances for other financial assets at amortised cost mainly comprise of non-trade nature amounts due from related companies, pledged bank deposits, fixed deposits and bank balances, are measured on 12m ECL basis. For the aforementioned financial assets and contract assets, there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The adoption has not resulted in any additional impairment for financial assets as at 1 January 2018.

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

3. 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. 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.

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Structural steelworks, civil engineering construction, and fitting out and renovation works	**225,013**	236,874
High voltage power substation construction and its system installation works	**96,059**	27,277
Facilities management, alteration and maintenance works and services	**41,830**	26,612
	362,902	290,763
Timing of revenue recognition		
Over time	**362,902**	290,763

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.

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Bank interest income	**1,621**	321
Others	**169**	–
	1,790	321

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

5. OTHER LOSSES

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**–***	17

* Less than MOP1,000

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Cost of services:		
Cost of construction	**267,803**	214,494
Cost of rendering services	**40,795**	21,555
	308,598	236,049
Directors' emoluments (including share-based compensation expenses of MOP228,000)	**4,549**	–
Other staff costs:		
Salaries and other allowances	**54,463**	39,200
Share-based compensation expenses	**95**	–
Retirement benefit scheme contributions, excluding those of directors	**411**	512
Total staff costs	**59,518**	39,712
Less: amounts included in cost of services	**(50,613)**	(36,466)
	8,905	3,246
Share-based compensation expenses to consultants	**789**	–
Depreciation of property, plant and equipment	**2,519**	2,427
Minimum lease payment in respect of:		
– rental premises	**1,270**	861
– machineries and equipment	**5,084**	2,260

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Current tax:		
Macau Complementary Tax	**4,282**	7,202

The Company was incorporated as an exempted company in the Cayman Islands and is exempted from Cayman Islands 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.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**20,831**	32,022
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**1,142,983**	960,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2017 has been determined on the assumption that the Reorganisation and the Capitalisation issue (as defined in note 16) had been effective on 1 January 2017.

For the six months ended 30 June 2018, the diluted earnings per share does not assume the effect from the Company's outstanding share options (note 17) as the exercise price of those options is higher than the average market price for shares from the grant date to 30 June 2018. For the six months ended 30 June 2017, there was no potential ordinary shares in issue or outstanding.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

9. DIVIDENDS

In June 2018, dividends of HK6.7 cents (equivalent to MOP6.9 cents) per share, which is HK$80,400,000 (equivalent to MOP82,812,000) in total, was declared to the shareholders as the final dividend for 2017.

The Directors have determined that an interim dividend of HK1.0 cent (equivalent to MOP1.03 cents) per share with a total of HK$12,000,000 (equivalent to MOP12,360,000) shall be paid to the shareholders of the Company whose names appear in the register of members on 18 September 2018.

During the six months ended 30 June 2017, EHY and SHY declared and paid dividends of an aggregate amount of MOP41,200,000 to their shareholders.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately MOP236,000 (six months ended 30 June 2017: MOP11,354,000) on property, plant and equipment, mainly including equipment for construction works and motor vehicles.

11. CONTRACT ASSETS AND LIABILITIES

	30 June 2018 **MOP'000** **(Unaudited)**
Contract balance at the end of the reporting period are as follows:	
Structural steelworks, civil engineering construction, and fitting out and renovation works	**27,510**
High voltage power substation construction and its system installation works	**5,958**
Facilities management, alternation and maintenance works and services	**128**
	33,596
Analysed for reporting purposes as:	
Contract assets	**34,049**
Contract liabilities	**(453)**
	33,596

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on respective contracts.

The contract liabilities primarily relate to the Group's obligation to transfer construction contracts to customers for which the Group has received consideration from the customers.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

11. CONTRACT ASSETS AND LIABILITIES *(Continued)*

As at 30 June 2018, included in contract assets are retention money held by customers for contract works amounted to MOP34,049,000, of which MOP16,040,000 represented the retention money held by a related company.

Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract, 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 money which is to be settled, based on the expiry of defect liability period, at the end of each reporting period.

	30 June 2018 **MOP'000** **(Unaudited)**
Due within one year	**19,025**
Due after one year	**15,024**
	34,049

The ECL for contract assets is insignificant as at the end of the reporting period.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2018 **MOP'000** **(Unaudited)**	31 December 2017 MOP'000 (Audited)
Trade receivables	**159,587**	76,396
Retention receivables	**–**	14,622
Other debtors, deposits and prepayments		
– Deposits	**1,040**	1,028
– Prepayments	**4,466**	2,188
– Deferred share issue costs	**–**	2,692
– Others	**2,278**	1,684
	167,371	98,610

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

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

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

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Trade receivables:		
0 – 90 days	**136,264**	62,155
91 – 365 days	**22,902**	13,450
1 – 2 year	**391**	696
Over 2 years	**30**	95
	159,587	76,396

Included in the Group's trade receivables are debtors with carrying amounts of MOP33,779,000 (31 December 2017: MOP31,399,000) as at 30 June 2018 which are past due but not impaired. As there had not been a significant change in credit quality, the amounts were still considered recoverable.

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Retention receivables:		
On demand or within one year	**–**	9,982
After one year	**–**	4,640
	–	14,622

13. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Non-trade nature		
Amounts due from related companies		
Lei Hong Engineering Limited (Note a)	**258**	–
ACEL Engineering Company Limited (Note a)	**137**	532
	395	532
Trade nature		
Amount due from a related company		
Melco Resorts & Entertainment Limited (Note b)		
– Trade receivables	**78,227**	85,872
– Retention receivables	**–**	19,275
	78,227	105,147
	78,622	105,679

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.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

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

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
0 – 90 days	**74,404**	84,219
91 – 365 days	**3,659**	1,653
Over 1 years	**164**	–
	78,227	85,872

As at 30 June 2018, included in the amount due from a related company (trade receivable) is receivables with a carry amount of MOP9,753,000 (2017: MOP5,397,000) which are past due but not impaired. As there has not been a significant change in credit quality, the amount is still considered recoverable.

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

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
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 contract, representing 1 year from the date of the completion of the respective project.

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
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		
Amount due to a related company		
Autoduct (Macao) E & M Engineering Co., Ltd. (Note a)	**74**	–
	74	2,739

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

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

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

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Within 90 days	**74**	–

Notes:

(a) Mr. Sou Kun Tou, Mr. Kuok Lam Sek ("Mr. Kuok "), Mr. Lam Kuok Wa and Mr. Lao Ka Wa (collectively referred to as the "Controlling Shareholders") have beneficial interests over these related companies.

(b) Mr. Ho Lawrence Yau Lung ("Mr. Ho"), a substantial shareholder of the Company, has beneficial interests over the related company.

14. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent bank deposits which are pledged to secure bank guarantee to the Group. As at 30 June 2018, the pledged bank deposits carried interest rate range of 0.4%-1.9% (31 December 2017: 0.2%-1.3%) per annum and with an original maturity of three months to one year.

As at 30 June 2018, the fixed bank deposits carried interest rate range of 1.3%-2.12% (31 December 2017: nil) per annum and with an original maturity of three months to six months and bank balances carry interest at prevailing market rates at 0.01% (31 December 2017: 0.01%) per annum.

15. CREDITORS AND ACCRUED CHARGES

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Trade payables	**31,604**	79,572
Retention payables	**6,870**	1,240
Other creditors and accrued charges		
– Accrued expenses and construction costs	**108,007**	97,285
– Receipt in advance	**–**	682
	146,481	178,779

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:

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Trade payables:		
0 – 90 days	**31,294**	73,279
91 – 365 days	**310**	5,133
1 – 2 year	**–**	1,160
	31,604	79,572

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Retention payables:		
On demand or within one year	**6,870**	1,240

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

16. SHARE CAPITAL

	Number of shares	Amount MOP
Ordinary shares of HK$0.01 each		
Authorised:		
On date of incorporation on 8 May 2017, at 31 December 2017, 1 January 2018	38,000,000	391,400
Increase in authorised share capital	4,962,000,000	51,108,600
At 30 June 2018	5,000,000,000	51,500,000
Issued and fully paid:		
At 8 May 2017 (date of incorporation) (note a)	1,000	10
Issued of shares on 31 May 2017 pursuant to the Reorganisation (note b)	1,000	10
At 31 December 2017	2,000	20
Issue of shares pursuant to Capitalisation issue (note c)	959,998,000	9,887,980
Issue of shares pursuant to public offering (note d)	240,000,000	2,472,000
At 30 June 2018	1,200,000,000	12,360,000

Notes:

(a) The Company was incorporated on 8 May 2017 in the Cayman Islands with an authorised share capital of HK$380,000 (equivalent to MOP391,400) divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, 1,000 shares, representing the entire issued share capital of the Company, were allotted and issued.

(b) On 31 May 2017, 500 shares were allotted, issued and credited as fully paid to MECOM Holding Limited ("MECOM Holding") to settle the consideration of MOP114,809,864 for the acquisition of the entire share capital of EHY. On 31 May 2017, 500 shares were allotted, issued and credited as fully paid to MECOM Holding to settle the consideration of MOP32,393,744 for the acquisition of the entire share capital of SHY.

(c) On 23 January 2018, the Company increased its authorised share capital from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 (equivalent to MOP51,500,000) divided into 5,000,000,000 shares of HK$0.01 each.

On 13 February 2018, a total of 959,998,000 shares were allotted and issued, credited as fully paid at par, by the way of capitalisation of a sum of HK$9,599,980 (equivalent to MOP9,887,980) standing to the credit of the share premium account of the Company, and such shares to be allotted and issued to the persons whose names appear on the register of members of the Company (the "Capitalisation Issue").

(d) 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 (equivalent to MOP1.29) by way of public offering. On the same date, the Company's shares were listed on the Stock Exchange.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

17. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme on 23 January 2018 ("Share Option Scheme"). The purpose of the Share Option Scheme is to provide directors and eligible persons ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the official closing price of the Company's 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; (b) the average of the official closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Company's share.

The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, and other schemes offered by the Company, as from the date of adoption of the Share Option Scheme, shall not exceed 10% of the shares in issue on the listing date. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Share Option Scheme to the Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

On 3 April 2018, the Company offered to grant an aggregate of 1,900,000 share options to certain directors of the Company and eligible persons. Fair value of these share options was calculated using the binomial model. The inputs into the model were as follows:

Grant date share price	HK$1.8
Exercise price	HK$1.8
Exercisable period	25%: 3 April 2018 to 2 April 2028 25%: 3 April 2019 to 2 April 2028 25%: 3 April 2020 to 2 April 2028 25%: 3 April 2021 to 2 April 2028
Expected life	7 – 10 years
Expected volatility	37%
Dividend yield	1.0%
Risk-free interest rate	1.894%

Expected volatility was determined by using the historical volatility of comparable companies within the industry listed in Hong Kong.

Dividend yield was assumed at 1.0% during the option life based on management's best estimate. The risk free rate was reference to the yield of Hong Kong Exchange Fund Notes as at the valuation date. The year of maturity of the government bond yields being referred is determined in accordance with the life of options.

The estimated fair values of the options granted on 3 April 2018 was approximately MOP1,457,000. The share-based compensation expenses recognised during the six months ended 30 June 2018 was approximately MOP1,112,000 (six months ended 30 June 2017: nil).

18. OPERATING LEASE 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 premised which fall due as follows:

	30 June 2018 **MOP'000** **(Unaudited)**	31 December 2017 MOP'000 (Audited)
Within one year	**328**	328

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

18. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

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:

	30 June 2018 MOP'000 (Unaudited)	31 December 2017 MOP'000 (Audited)
Within one year	**214**	214

The leases are generally negotiated for lease terms ranging from 1 to 2 years at fixed rentals.

19. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties during the current interim period:

Name of related parties	Nature of transaction	**Six months ended 30 June** **2018 MOP'000 (Unaudited)**	2017 MOP'000 (Unaudited)
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Office rental expenses	**330**	280
	Warehouse rental expenses	**99**	99
ACEL Engineering Company Limited (Note a)	Construction works expenses	**–**	206
	Service fee expenses	**–**	3,400
Autoduct (Macao) E & M Engineering Co., Ltd. (Note a)	Construction works expenses	**492**	44
Hytech Engineering & Material Co., Ltd (Note b)	Construction works expenses	**–**	996
Sieger Facilities Management Limited (Note b)	Facilities management expenses	**–**	14,360
Lei Mang Engineering Co., Ltd (Note b)	Consultancy service expenses	**–**	1,859
	Construction service income	**–**	502
Kappa Electrical & Mechanical Engineering Co., Ltd (Note b)	Construction works expenses	**–**	3,039
Melco Resorts & Entertainment Limited (Note c)	Construction service income	**152,805**	33,875
Macao Modern Environmental Protection Technology Company Limited (Note a)	Purchase of raw material	**2,161**	–
Black Spade Capital Limited (Note c)	Consultancy fee	**124**	–

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

19. RELATED PARTY DISCLOSURES *(Continued)*

(i) Transactions *(Continued)*

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.

(c) Mr. Ho, a substantial shareholder of the Company, has beneficial interests over the related company.

(ii) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management was as follows:

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Short term benefits	**7,016**	–
Post-employment benefits	**11**	–
	7,027	–

20. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits (note 14), promissory notes and corporate guarantee. The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of the reporting period, the Group had outstanding performance bonds as follows:

	30 June 2018	31 December 2017
	MOP'000	MOP'000
	(Unaudited)	(Audited)
Issued to the Group by banks	**99,253**	179,327

As at 30 June 2018, the Group has obtained total credit facilities of MOP309,000,000 for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP22.7 million; (ii) the promissory notes of MOP370,800,000; and (iii) the corporate guarantee provided by the Company.