



POWER & CONSTRUCTION

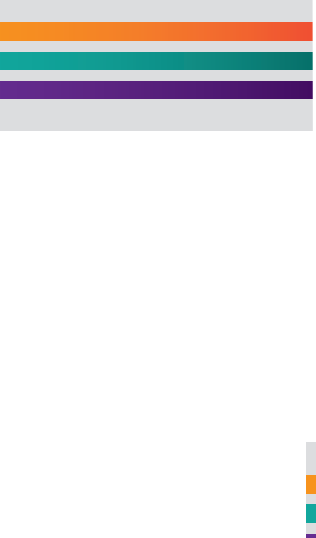
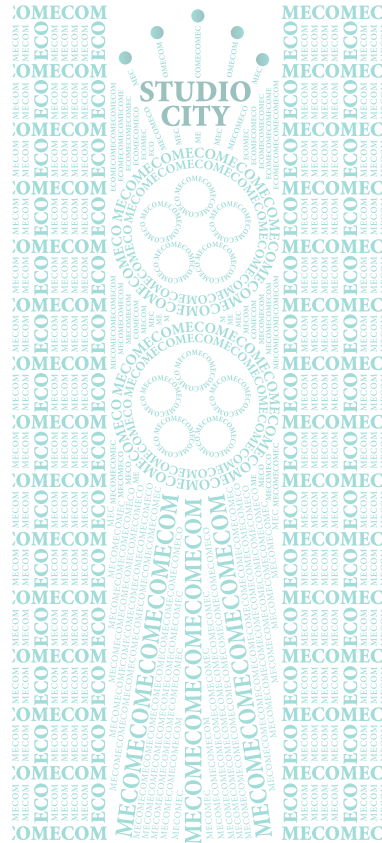
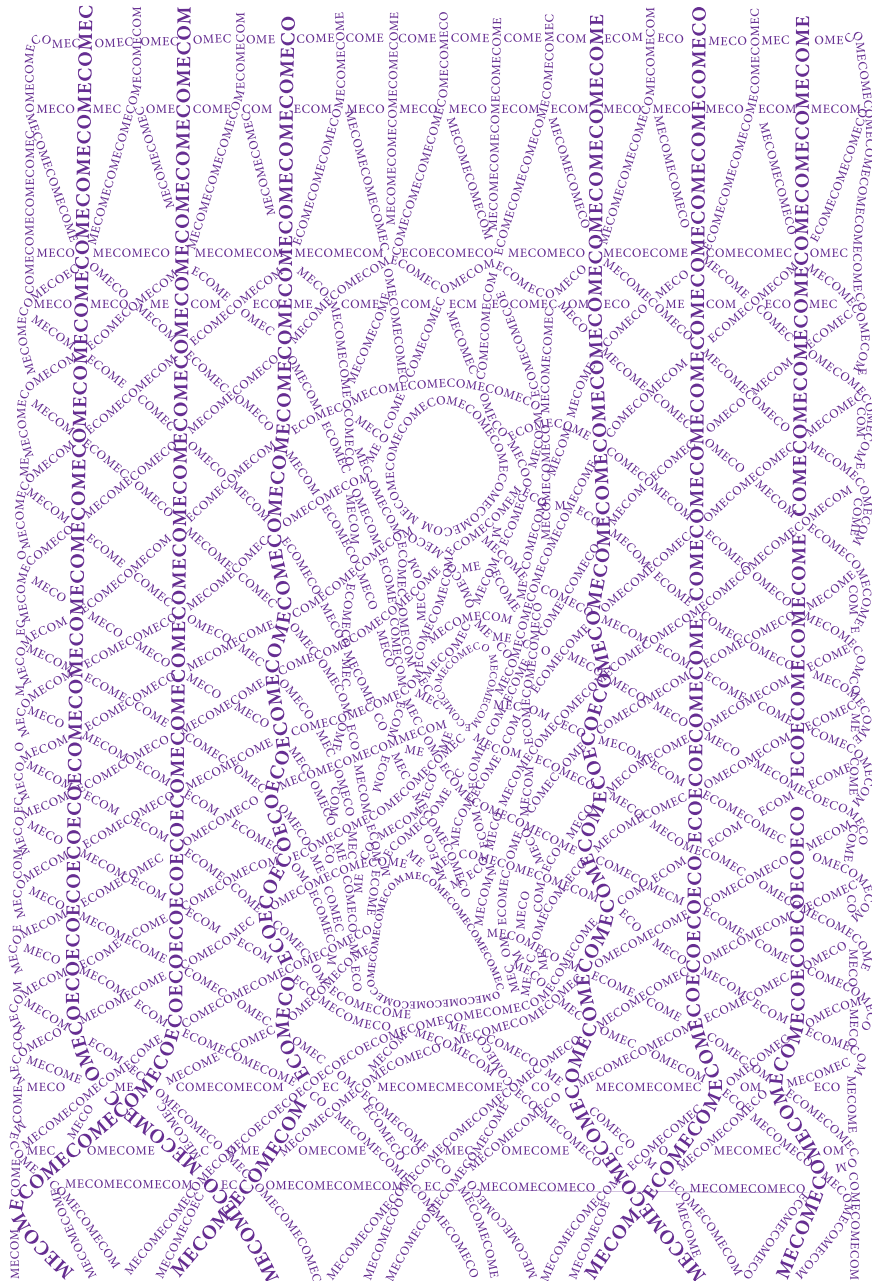
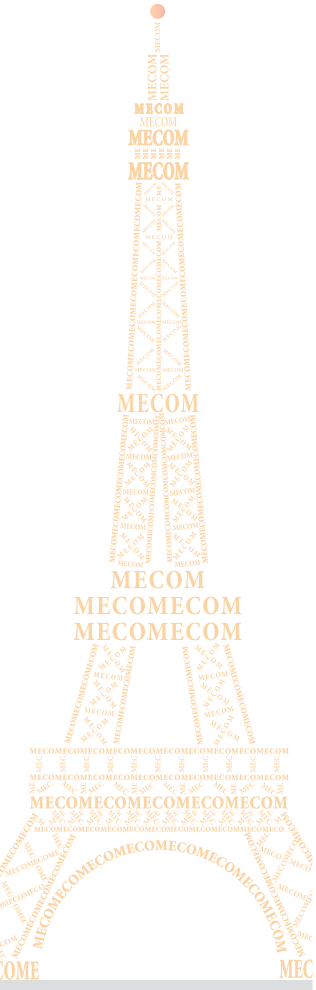
澳能建設控股有限公司

MECOM Power and Construction Limited

(Incorporated in the Cayman Islands with limited liability)

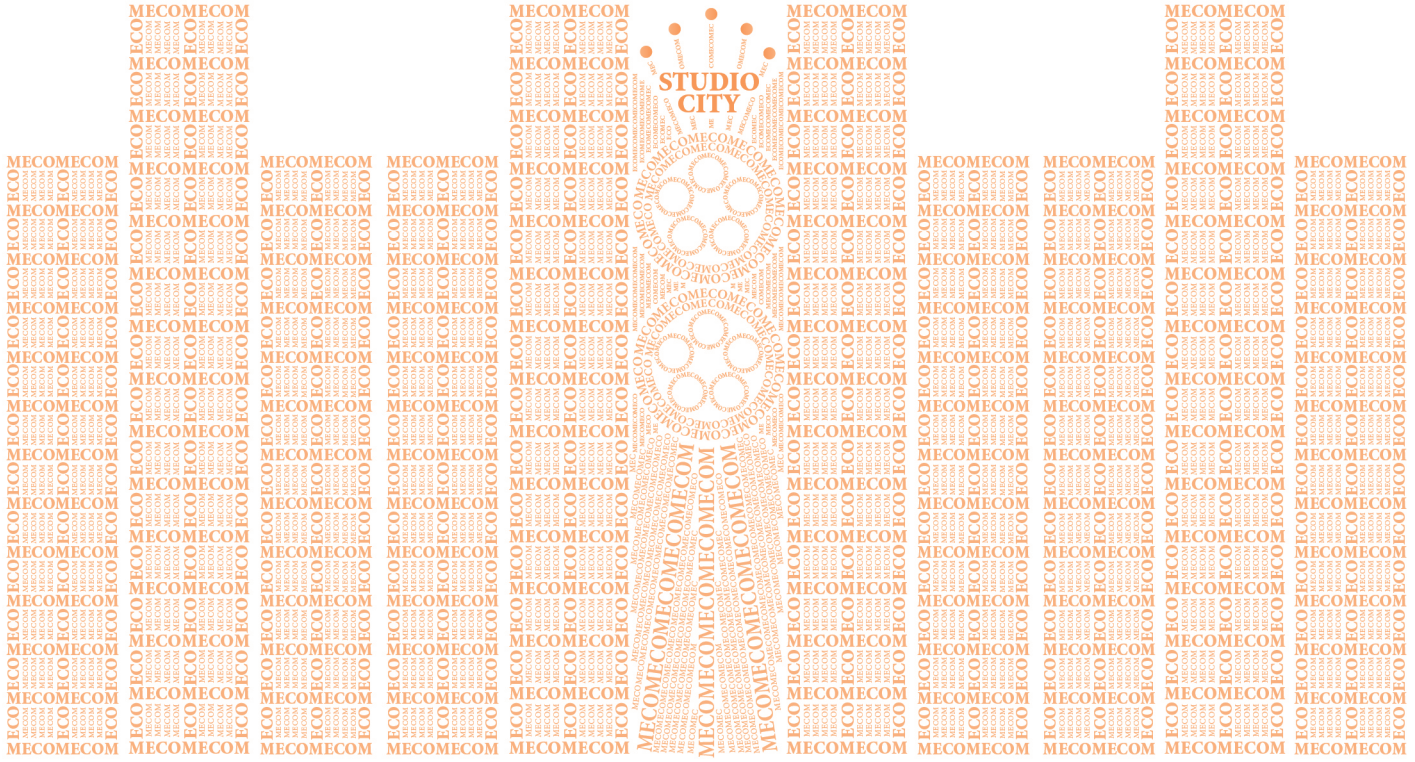
Stock Code : 1183

# INTERIM REPORT 2019



# Contents

2	Corporate Information
4	Management Discussion and Analysis
10	Corporate Governance and Other Information
16	Report on Review of Condensed Consolidated Financial Statements
17	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
19	Condensed Consolidated Statement of Changes in Equity
20	Condensed Consolidated Statement of Cash Flows
21	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 54, 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 (Continued)

### 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:*

José Liu  
Avenida da Amizade, n° 555  
Landmark, 13° 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](http://www.mecommacau.com)

# Management Discussion & Analysis

## COMPANY OVERVIEW

The Group is one of the leading companies in the civil engineering industry and high voltage power substation construction industry in Macau. The Group primarily undertakes highly challenging and complex construction projects in three major segments, namely construction and fitting out works, high voltage power substation construction and its system installation works, as well as provision for facilities management services.

The Group's construction and fitting out works comprise structural steelworks services, civil engineering construction services and fitting out and improvement works. Structural steelworks services generally involve the provision of customised and target-oriented steel structure erection services including structural steelworks construction, concreting and builder works, and combination of the different construction works to construct a highly efficient structure. Civil engineering construction services generally cover demolition, ground field investigation, site formation and foundation works, as well as substructures and superstructures, roads and drainage. Fitting out and improvement works generally involve alteration, renovation and upgrading works of various types, including preparation of shop drawings, modification, removal and installation of equipment and general improvement works.

High voltage power substation construction and its system installation works involve the provision of planning, scheduling, project management and construction services for customised high-voltage substations and complex power transmission infrastructure installed with high voltage power system.

The Group also undertakes facilities management services, which involve the provision of facilities operation and maintenance management, alteration, upgrading, maintenance works and emergency repairs of various buildings, properties and their components (especially for hotels and resorts), high voltage power substations and their respective systems.

## BUSINESS REVIEW

During the six months ended 30 June 2019 (the "Period"), uncertainty still loomed large in the macroeconomic environment. As such, Macau's construction market developed sluggishly with the tenders not being released in the market. As a result, the Group was operating under great pressure. According to the Macau Bureau of Statistics, the overall demand of the society has weakened and the pressure of economic downturn continued to increase. Combining such impacts, the number of construction works from both private and public sectors shrank. On the other hand, following completion of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, public investment on construction works decreased. During the Period, Macau government also delayed the processing time of public and private projects to concentrate on preparing for the Chief Executive election. In the private market, casino owners, project owners or customers became cautious about the operating environment, and thereby withheld or delayed the launch of most projects. As a consequence, the number of construction works in the first quarter of 2019 contracted by 15.0% year-on-year. According to the Macao Land, Works and Transportation Bureau's data with respect to the construction sector, the gross floor area (GFA) for designed guest rooms of the first quarter of 2019 was about 261,221 m<sup>2</sup>, down by 8.2% as compared with the first quarter of 2018 and about 13.4% as compared with the fourth quarter of 2018. As at the end of the first quarter of 2019, GFA of guest rooms in progress did not increase and maintained at the same level as the end of 2018. Summing up the aforementioned data, there were insufficient incentives to boost the growth in the overall public and private construction market.

## Management Discussion & Analysis (Continued)

Against the backdrop of slow project demand, MECOM leveraged on its solid fundamentals and relentless efforts to obtain the hotel project on Travessa Do Comandante Mata E Oliveira and the construction works of the Public Prosecutions Office of the Macao Special Administrative Region (Phase II), which involved the provision of extra low voltage systems, as well as ventilation and air conditioning systems. Such projects' contract sum totalled approximately MOP210 million. As at 30 June 2019, the Group's aggregate value of contracts on hand yet to complete reached MOP463.5 million (31 December 2018: MOP265.0 million). The Group has also been actively expanding into various new business sectors through several cooperation to broaden the revenue source and mitigate risks. The Group entered into a strategic cooperation agreement with China Resources Black Spade New Energy Limited in February 2019 to develop green environmental projects in Macau, with the mission of promoting energy conservation, environmental protection, clean technology and applications of new technologies in Macau. The Group also entered into a cooperation agreement with companies of Germany, Mauritius and Macau background in April 2019 to jointly build solar energy farms and power stations in Mauritius, with the aim of promoting environmental development in the area.

However, since the Group has not received major construction and renovation projects during the Period, total revenue decreased by 63.0% to MOP134.2 million. The Group's major portion of revenue for the Period was contributed by facilities management, alteration and maintenance works and services. Net profit was MOP4.7 million (30 June 2018 (the "Previous Period"): MOP20.8 million).

### FINANCIAL REVIEW

#### Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		2018	
	MOP'000	%	MOP'000	%
Construction and fitting out works	63,012	47.0	225,013	62.0
High voltage power substation construction and its system installation works	28,737	21.4	96,059	26.5
Facilities management services	42,412	31.6	41,830	11.5
<b>Total</b>	<b>134,161</b>	<b>100.0</b>	<b>362,902</b>	<b>100.0</b>

The Group's revenue for the Period decreased by MOP228.7 million or 63.0%. The decrease was attributable to the decrease in revenue from construction and fitting out works by MOP162.0 million or 72.0% and decrease in revenue from high voltage power substation construction and its system installation works by MOP67.3 million or 70.1%.

The decrease in revenue of construction and fitting out works was mainly due to the poor operating environment in the overall construction industry in Macau. The Group undertook a few new projects during the Period, however, the contract sums were not significant. In addition, the Group experienced the unexpected delays in obtaining construction project approval, construction work licensing and work permits for foreign workers from the relevant regulatory and supervisory authority in Macau.

The decrease in revenue of high voltage power substation construction and its system installation works was mainly due to the fact that we had substantial progress of works for the electrical and mechanical (E&M) works contract for the 110/11kV high voltage power substation of the theme park of a casino gaming operator in Macau during 2018.

## Management Discussion & Analysis (Continued)

### Gross profit

	Six months ended 30 June			
	2019		2018	
	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %
Construction and fitting out works	15,256	24.2	41,052	18.2
High voltage power substation construction and its system installation works	3,986	13.9	12,217	12.7
Facilities management services	3,054	7.2	1,035	2.5
<b>Total/overall</b>	<b>22,296</b>	<b>16.6</b>	<b>54,304</b>	<b>15.0</b>

The Group's gross profit for the Period decreased by MOP32.0 million or 58.9%. The decrease was mainly due to the decrease in contract revenue during the Period as compared to that of the Previous Period. As the Directors decided to maintain the team structure and resources for capturing opportunities to bid for major projects as they may arise from time to time, overhead costs such as equipment depreciation and labour costs for the Period did not decrease proportionately.

### Other income

Other income increased by MOP1.4 million or 80.2%. Such increase was partly attributable to an increase in rental income received from the Group's industrial unit in Macau, which will serve as a permanent base for the Group's centralised warehouse after the expiry of the existing tenancy in October 2019.

### Administrative expenses

Administrative expenses increased by MOP3.4 million or 20.7% as a result of the recurrence of legal and professional fees after the listing.

### Listing expenses

The Group did not incur any listing expenses during the Period while the Group incurred listing expenses of MOP14.4 million in the Previous Period.

### Income tax expense

Income tax expense decreased by MOP3.4 million or 80.1% which was largely in line with the decrease in our profit before tax mainly due to (i) a decrease in gross profit; and (ii) an increase in administrative expenses as disclosed above.

### Profit for the period

The Group's profit for the Period decreased by MOP16.1 million or 77.5% primarily attributable to the combined effect of the abovementioned items.

## Management Discussion & Analysis (Continued)

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's operations mainly rely on internally generated cash flows.

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

As at 30 June 2019, the Group had net current assets of MOP348.5 million (31 December 2018: MOP425.4 million). The current ratio of the Group as at 30 June 2019 was 3.6 (31 December 2018: 3.7).

The Group continued to maintain a healthy liquidity position. As at 30 June 2019, the Group had total cash and bank balances (including fixed bank deposits) of MOP268.4 million (31 December 2018: MOP315.2 million).

As at 30 June 2019, the Group's unutilised credit facilities was MOP427.0 million (31 December 2018: MOP234.0 million).

As at 30 June 2019, the Group had no bank borrowings (31 December 2018: Nil) and the Group's gearing ratio (calculated by dividing total debts with total equity) was zero (31 December 2018: zero).

As at 30 June 2019, the Company's share capital and equity amounted to MOP12.3 million and MOP399.0 million, respectively (31 December 2018: MOP12.4 million and MOP438.8 million, respectively).

### FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 30 June 2019, 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 and 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 2019.

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 February 2018 (the "Listing").

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. Details of the proposed applications of such net proceeds are disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 28 February 2019.



## Management Discussion & Analysis (Continued)

The following table sets out the revised applications of the net proceeds and the actual usage up to 30 June 2019:

	Revised applications (HK\$ million)	Actual usage (HK\$ million)
Financing the issuance of performance bonds when undertaking new projects <sup>(Note 1)</sup>	112.4	17.6
Establishing storage facilities <sup>(Note 2)</sup>	44.3	44.3
Recruiting additional staff <sup>(Note 1)</sup>	45.2	22.4
Acquiring additional machinery	16.8	12.7
Financing the upfront costs for new projects <sup>(Note 2)</sup>	16.7	16.7
General working capital	26.2	26.2
	261.6	139.9

Notes:

1. The Group experienced delay in several new projects since 2018 due to incomplete administrative procedures. Up to the date of this report, the Group utilised HK\$17.7 million and HK\$25.5 million of the total net proceeds for financing the issuance of performance bonds and recruiting additional staff, respectively.
2. With reference to the Company's announcement dated 28 February 2019, as the Company had already acquired an industrial unit in Macau, which will serve as a permanent base for the Group's centralised warehouse, the Board has resolved to reallocate the remaining unutilised balance of the net proceeds of approximately HK\$16.7 million that was earmarked for the purpose of strengthening the Group's storage facilities for equipment and materials towards the financing of upfront costs (i.e. raw materials costs, labour costs and subcontracting costs) for new projects. Please refer to the aforesaid announcement for further information.

### PLEDGE OF ASSETS

As at 30 June 2019, the Group had pledged bank deposits of MOP32.8 million (31 December 2018: MOP22.6 million) that were pledged with banks as security of credit facilities.

### CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019.

### COMMITMENTS

As at 30 June 2019, the Group did not have any significant capital commitments (31 December 2018: MOP34,835,000).

### EMPLOYEES AND REMUNERATION POLICY

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.

## Management Discussion & Analysis (Continued)

As a main contractor for some of the projects we undertake, we apply for work permits for our non-Macau resident workers on a project-by-project basis. As at 30 June 2019, the Group had 263 (31 December 2018: 271) employees in Hong Kong and Macau, comprising 73 Macau residents and 190 non-Macau residents (31 December 2018: 79 Macau residents and 192 non-Macau residents).

The Company has adopted a share option scheme (the “Share Option Scheme”) on 23 January 2018, which was effective upon the Listing. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. No share option had been granted under the Share Option Scheme during the Period. As at 30 June 2019, none of the options granted has been exercised or lapsed. Further details of the Share Option Scheme are set out on page 14 of this report.

### PROSPECTS

Looking forward to the second half of 2019, Macau’s Chief Executive election will be completed and is believed to facilitate the robust development of Macau’s construction market. According to analysis, the society has maintained a harmonious, stable and good climate during the election process. It is expected that there will be smoother decision-making and governance after the inauguration of the new Chief Executive, which in turn will help speed-up the approval process for various projects. Meanwhile, Macau has been actively responding to the “Guangdong Hong Kong-Macao Greater Bay Area” developmental strategy promulgated by the Central Government. The new-term government is expected to follow aforementioned developmental directives, with step-up efforts to promote “One Center, One Platform, One Base”, i.e., making Macau a global centre for tourism and leisure, as well as to help facilitate infrastructure construction and economic advancement in Macau continuously.

Meanwhile, regarding the gaming industry which is the lifeline of Macau’s economy, the authority has synchronised the expiry date of gambling licenses for casinos to 2022, which helps sustain the stable operating environment in the private and public sectors. Owing to the stable economic environment, major casino enterprises and the government are expected to release the large-scale projects that have been withheld or delayed for a long time, which will boost the robust development in the private and public construction sectors.

Despite the aforementioned favourable development factors in the market, MECOM will maintain prudent operation with enhanced internal management and business restructuring, so as to adapt to various environmental changes. In terms of internal policy, the Group will strengthen cost control, and foster construction efficiency and team management; in terms of external policy, while collaborating with China Resources Black Spade New Energy Limited to develop environmental construction projects, the Group also aims to explore the Guangdong-Hong Kong-Macao Greater Bay markets. Furthermore, the Group is also looking for favourable merger and acquisition opportunities in the upstream and downstream of the industry chain, with the prime concern to bolster revenue, increase market share, reinforce corporate competitiveness, and grasp any opportunities in the market.

# 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”) under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices. During the Period, the Board is of the opinion that the Company has complied with all the code provisions.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. 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 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased 1,918,000 shares with par value of HK\$0.01 each (“Shares”, each a “Share”) on the Stock Exchange during the Period. The total consideration (including transaction costs) of the repurchases were HK\$2,513,380. All of the repurchased Shares were cancelled during the Period. Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
April 2019	1,918,000	1.50	1.18	2,513,380

## Corporate Governance and Other Information (Continued)

The Board considered that the repurchases enhanced the earnings per Share and benefited the Company and its Shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

### 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 2019, 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 contained in the Listing Rules were as follows:

#### (i) Interests in shares of the Company

Name of Director	Nature of interest	Number of shares <sup>(Note 1)</sup>	Approximate percentage of shareholding interest <sup>(Note 2)</sup>
Mr. Kuok Lam Sek ("Mr. Kuok") <sup>(Note 3)</sup>	Interest of the controlled corporation	600,960,000 (L)	50.16%
Mr. Sou Kun Tou ("Mr. Sou") <sup>(Note 3)</sup>	Interest of the controlled corporation	600,960,000 (L)	50.16%

Notes:

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

(2) Based on 1,198,082,000 Shares in issue as at 30 June 2019.

(3) 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 (Continued)

### (ii) Interests in underlying shares of the Company

Name of Director	Nature of interest	Number of underlying shares <sup>(Note 1)</sup>	Approximate percentage of shareholding interest <sup>(Note 2)</sup>
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) As at 30 June 2019, the interests in the underlying shares are in relation to the share options granted under the share option scheme of the Company.

(2) Based on 1,198,082,000 Shares in issue as at 30 June 2019.

### (iii) Interests in associated corporation of the Company

Name of Directors	Name of associated corporation	Nature of interest	Interest in shares	Percentage holding
Mr. Kuok <sup>(Note)</sup>	MECOM Holding Limited	Beneficial owner and interest held jointly with another person	100	100%
Mr. Sou <sup>(Note)</sup>	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 30 June 2019, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or 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.

## Corporate Governance and Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, 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	Number of shares <sup>(Note 1)</sup>	Approximate percentage of shareholding interest <sup>(Note 2)</sup>
Mr. Lam <sup>(Note 3)</sup>	Interest of the controlled corporation	600,960,000 (L)	50.16%
Mr. Lao <sup>(Note 3)</sup>	Interest of the controlled corporation	600,960,000 (L)	50.16%
MECOM Holding Limited	Beneficial owner	600,960,000 (L)	50.16%
Mr. Ho, Lawrence Yau Lung ("Mr. Ho") <sup>(Note 4)</sup>	Interest of the controlled corporation	240,000,000 (L)	20.03%
King Dragon Ventures Limited ("King Dragon")	Beneficial owner	240,000,000 (L)	20.03%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Based on 1,198,082,000 Shares in issue as at 30 June 2019.
- (3) 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.
- (4) King Dragon is beneficially and wholly-owned by Mr. Ho. By virtue of the SFO, Mr. Ho is deemed to be interested in the Shares held by King Dragon.

Save as disclosed above, as at 30 June 2019, 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 position in the shares or underlying shares of the Company 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.

## Corporate Governance and Other Information (Continued)

### SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Shareholders on 23 January 2018 and became effective upon Listing. Details of the Share Option Scheme are disclosed in note 16 to the condensed consolidated financial statements.

Details of movements in the share options granted under the Share Option Scheme during the six months ended 30 June 2019 and options outstanding as at 30 June 2019 are as follows:

Name of grantees	Date of grant	Number of share options held as at 1 January 2019	Changes during the six months ended 30 June 2019				Number of share options held as at 30 June 2019	Exercise price per share HK\$	Exercisable period (Note)
			Granted	Exercised	Lapsed	Cancelled			
<b>Directors</b>									
Ms. Chan Po Yi, Patsy	3 April 2018	200,000	—	—	—	—	200,000	1.8	3 April 2018 to 2 April 2028
Mr. Cheung Kiu Cho, Vincent	3 April 2018	200,000	—	—	—	—	200,000	1.8	3 April 2018 to 2 April 2028
Dr. Ngan Matthew Man Wong	3 April 2018	200,000	—	—	—	—	200,000	1.8	3 April 2018 to 2 April 2028
<b>Employees</b>	3 April 2018	250,000	—	—	—	—	250,000	1.8	3 April 2018 to 2 April 2028
<b>Consultants</b>	3 April 2018	1,050,000	—	—	—	—	1,050,000	1.8	3 April 2018 to 2 April 2028
		1,900,000	—	—	—	—	1,900,000		

Note: 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 (Continued)

### AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) consists of three members, namely Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong, all being independent non-executive Directors. The Audit Committee is chaired by Ms. Chan Po Yi, Patsy who has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

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

### 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 2019 and this interim report.

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no other important events affecting the Group that had occurred after 30 June 2019 and up to the date of this report.

By Order of the Board

**MECOM Power and Construction Limited**

**Kuok Lam Sek**

*Chairman*

Hong Kong, 28 August 2019



# 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 set out on pages 17 to 36, which comprises the condensed consolidated statement of financial position as of 30 June 2019 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.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
28 August 2019

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

For the Six Months ended 30 June 2019

	Notes	Six months ended	
		30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
Revenue	3	134,161	362,902
Cost of services		(111,865)	(308,598)
Gross profit		22,296	54,304
Other income	4	3,225	1,790
Administrative expenses		(19,983)	(16,557)
Listing expenses		—	(14,424)
Share of profit of an associate		9	—
Profit before tax		5,547	25,113
Income tax expense	5	(853)	(4,282)
Profit and total comprehensive income for the period	6	4,694	20,831
Basic and diluted earnings per share (MOP cents)	7	0.39	1.82

# Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	62,726	17,451
Interest in an associate		35	26
Deposit paid for property, plant, equipment		—	8,245
		<b>62,761</b>	25,722
<b>Current assets</b>			
Contract assets	10	28,844	29,863
Debtors, deposits and prepayments	11	116,633	154,393
Amounts due from related companies	12	35,368	59,802
Pledged bank deposits	13	32,841	22,649
Fixed bank deposits	13	128,859	214,858
Bank balances and cash	13	139,553	100,314
		<b>482,098</b>	581,879
<b>Current liabilities</b>			
Amounts due to related companies	12	124	129
Creditors and accrued charges	14	60,780	126,475
Tax liabilities		30,701	29,848
Dividend payable		41,957	—
		<b>133,562</b>	156,452
<b>Net current assets</b>		<b>348,536</b>	425,427
<b>Net assets</b>		<b>411,297</b>	451,149
<b>Capital and reserves</b>			
Share capital	15	12,340	12,360
Reserves		398,957	438,789
<b>Total equity</b>		<b>411,297</b>	451,149

# Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

	Share capital MOP'000	Share premium MOP'000	Share options reserve MOP'000	Legal reserve MOP'000 (Note a)	Other reserve MOP'000 (Note b)	Retained earnings MOP'000	Total MOP'000
At 1 January 2018 (audited and restated)	— *	147,204	—	45	(147,114)	195,905	196,040
Profit and total comprehensive income for the period	—	—	—	—	—	20,831	20,831
Issue of shares pursuant to capitalisation issue (note 15)	9,888	(9,888)	—	—	—	—	—
Issue of shares pursuant to public offering (note 15)	2,472	306,528	—	—	—	—	309,000
Share issue costs	—	(15,190)	—	—	—	—	(15,190)
Share-based compensation expenses (notes 16)	—	—	1,112	—	—	—	1,112
Dividend (note 8)	—	—	—	—	—	(82,812)	(82,812)
<b>At 30 June 2018 (unaudited)</b>	<b>12,360</b>	<b>428,654</b>	<b>1,112</b>	<b>45</b>	<b>(147,114)</b>	<b>133,924</b>	<b>428,981</b>
<b>At 1 January 2019 (audited)</b>	<b>12,360</b>	<b>428,654</b>	<b>1,457</b>	<b>45</b>	<b>(147,114)</b>	<b>155,747</b>	<b>451,149</b>
Profit and total comprehensive income for the period	—	—	—	—	—	4,694	4,694
Shares repurchased and cancelled (note 15)	(20)	(2,569)	—	—	—	—	(2,589)
Dividend (note 8)	—	—	—	—	—	(41,957)	(41,957)
<b>At 30 June 2019 (unaudited)</b>	<b>12,340</b>	<b>426,085</b>	<b>1,457</b>	<b>45</b>	<b>(147,114)</b>	<b>118,484</b>	<b>411,297</b>

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 reserve until the balance meet 50% of their registered capital. The reserve is not distributable to shareholders.

Note b: The balance of other reserve 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.

\* Less than MOP1,000

# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Six months ended	
	30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	7,135	27,123
Decrease (increase) in debtors, deposits and prepayments	38,092	(86,075)
Decrease in amounts due from related companies	23,190	7,645
Decrease in creditors and accrued charges	(65,695)	(37,349)
Income tax paid	—	(2,614)
Others	1,006	375
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>3,728</b>	<b>(90,895)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(41,050)	(236)
Advances to related companies	(1,343)	(138)
Repayments from related companies	2,754	275
Repayments from shareholders	—	46
Placement of fixed bank deposits	(114,429)	(238,638)
Withdrawal of fixed bank deposits	200,428	23,780
Placement of pledged bank deposits	(32,095)	(5,329)
Withdrawal of pledged bank deposits	21,903	23,780
Interest received	1,932	1,621
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>38,100</b>	<b>(194,839)</b>
<b>FINANCING ACTIVITIES</b>		
Payment on repurchase and cancellation of shares	(2,589)	—
Proceeds from issue of shares	—	309,000
Share issue costs paid	—	(12,806)
Repayments to shareholders	—	(5,021)
Repayments to related companies	—	(2,739)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(2,589)</b>	<b>288,434</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>39,239</b>	<b>2,700</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>100,314</b>	<b>165,882</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>	<b>139,553</b>	<b>168,582</b>

# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below regarding the adoption of new accounting policies, and the changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the consolidated financial statements for the year ended 31 December 2018 of the Company and its subsidiaries (collectively referred to as the “Group”).

### Adoption of new accounting policies

#### Share repurchased and cancelled

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

### 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 and an interpretation to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to IFRSs (Continued)

##### Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

#### 2.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### As a lessee

###### Short-term leases

The Group applies the short-term lease recognition exemption to leases of rental premises, machineries and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

###### Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value and subsequently at amortised cost.

#### 2.2 Transition and summary of effects arising from initial application of IFRS 16

##### Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to IFRSs (Continued)

#### Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

##### 2.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

###### As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's lease with termination options.

On transition, no adjustments have been made by the group upon application of IFRS 16, as the operating lease commitments of MOP215,000 as at 31 December 2018 has met the short-term lease recognition exemption.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on (1) construction and fitting out works, (2) high voltage power substation construction and its system installation works, and (3) facilities management services.

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and performance assessment, review 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	
	30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
<b>Revenue from construction contracts</b>		
Construction and fitting out works	63,012	225,013
High voltage power substation construction and its system installation works	28,737	96,059
	<b>91,749</b>	321,072
<b>Provision of service income</b>		
Facilities management services	42,412	41,830
	<b>134,161</b>	362,902
<b>Timing of revenue recognition</b>		
Over time	<b>134,161</b>	362,902

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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 4. OTHER INCOME

	Six months ended	
	30.6.2019	30.6.2018
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Bank interest income	2,725	1,621
Others	500	169
	<b>3,225</b>	<b>1,790</b>

### 5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Current tax :		
Macau Complementary Tax	853	4,282

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

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments (including share-based compensation expenses of nil (30.06.2018: MOP228,000))	4,442	4,549
Other staff costs:		
Salaries, bonus and other allowances	36,459	54,463
Share-based compensation expenses	—	95
Retirement benefit scheme contributions	227	411
Total staff costs	41,128	59,518
Less: amounts included in cost of services	(31,558)	(50,613)
	9,570	8,905
Impairment losses recognised (reversed) on:		
— Trade receivables	461	—
— Contract assets	8	—
— Trade-nature amounts due from related companies	(167)	—
	302	—
Share-based compensation expenses to consultants	—	789
Depreciation of property, plant and equipment	4,017	2,519
Minimum lease payment in respect of:		
— rental premises	1,276	1,270
— machineries and equipment	1,138	5,084

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 7. 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	
	30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share	4,694	20,831
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,199,554	1,142,983

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue (note 15) had been effective on 1 January 2018.

For the six months ended 30 June 2019 and 30 June 2018, the diluted earnings per share does not assume the effect from the Company's outstanding share options (note 16) as the exercise price of those options is higher than the average market price for shares for both periods.

### 8. DIVIDENDS

The directors declared and paid a final dividend of HK6.7 cents (equivalent to MOP6.9 cents) per share with a total of HK\$80,400,000 (equivalent to MOP82,812,000) for the year ended 31 December 2017, to the shareholders of the Company.

The directors declared a final dividend of HK3.4 cents (equivalent to MOP3.5 cents) per share with a total of HK\$40,735,000 (equivalent to MOP41,957,000) for the year ended 31 December 2018, to the shareholders of the Company, which was paid on 5 July 2019.

No dividend for the six months ended 30 June 2019 had been declared by the directors of the Company (six months ended 30 June 2018: 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) was paid).

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquire approximately MOP49,295,000 (six months ended 30 June 2018: MOP236,000) property, plant and equipment, mainly including leasehold land and building, of which MOP8,245,000 was transferred from deposit paid in 2018.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 10. CONTRACT ASSETS

	<b>30.6.2019</b> <b>MOP'000</b> <b>(Unaudited)</b>	31.12.2018 MOP'000 (Audited)
Construction and fitting out works	<b>24,018</b>	23,850
High voltage power substation construction and its system installation works	<b>4,826</b>	5,885
Facilities management services	—	128
	<b>28,844</b>	29,863

As at 30 June 2019, included in contract assets of MOP29,201,000 (31 December 2018: MOP30,212,000) was allowance for credit losses of MOP357,000 (31 December 2018: MOP349,000).

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

As at 30 June 2019, included in contract assets are retention money held by customers for contract works amounted to MOP28,844,000 (31 December 2018: MOP29,863,000) of which MOP10,244,000 (31 December 2018: MOP11,431,000) represented the retention money held by related companies.

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 projects.

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 the reporting period.

	<b>30.6.2019</b> <b>MOP'000</b> <b>(Unaudited)</b>	31.12.2018 MOP'000 (Audited)
Within one year	<b>11,313</b>	14,188
After one year	<b>17,531</b>	15,675
	<b>28,844</b>	29,863

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
Trade receivables	106,606	150,443
Less: Allowance for credit losses	(2,755)	(2,294)
	<b>103,851</b>	148,149
Other debtors, deposits and prepayments		
– Deposits	1,214	998
– Prepayments	8,124	4,219
– Others	3,444	1,027
	<b>116,633</b>	154,393

The Group allows credit period of 0–90 days to its customers.

The aging analysis of the Group's trade receivables, net of allowances for credit losses, based on invoice date at the end of the reporting period are as follows:

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
0–90 days	84,086	94,594
91–365 days	19,472	50,137
1–2 year	284	3,388
Over 2 years	9	30
	<b>103,851</b>	148,149

As at 30 June 2019, included in the Group's trade receivables balance are debtors with carrying amounts of MOP23,154,000 (31 December 2018: MOP60,458,000) which are past due as at the reporting date. Out of the past due balances, MOP15,056,000 (31 December 2018: MOP30,430,000) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there had not been a significant change in credit quality, the amounts are still considered recoverable.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 12. AMOUNTS WITH RELATED COMPANIES

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
<u>Non-trade nature</u>		
<b>Amounts due from related companies</b>		
Lei Hong Engineering Limited (note a)	236	310
ACEL Engineering Company Limited (note a)	1,193	2,530
	<b>1,429</b>	2,840
<u>Trade nature</u>		
<b>Amounts due from related companies</b>		
China Construction (Macau) — EHY Joint Venture ("CCM — EHY JV") (note b)	433	15,603
Melco Resorts & Entertainment Limited (note c)	33,982	42,002
	<b>34,415</b>	57,605
Less: Allowance for credit losses	(476)	(643)
	<b>33,939</b>	56,962
	<b>35,368</b>	59,802

The Group typically allows a credit period of 30 to 45 days to its related companies. The following is an aging analysis of the amounts due from related companies (trade nature), presented based on invoice date at the end of the reporting period.

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
0–90 days	25,238	45,154
91–365 days	7,369	11,024
Over 1 years	1,332	784
	<b>33,939</b>	56,962

As at 30 June 2019, included in the Group's amounts due from related companies (trade nature) are receivables with carrying amounts of MOP15,411,000 (31 December 2018: MOP21,928,000) which are past due. Out of the past due balances, MOP6,508,000 (31 December 2018: MOP11,481,000) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 12. AMOUNTS WITH RELATED COMPANIES (Continued)

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
<u>Non-trade nature</u>		
<b>Amount due to a related company</b>		
Black Spade Capital Limited (note c)	124	124
<u>Trade nature</u>		
<b>Amount due to a related company</b>		
Autoduct (Macao) E & M Engineering Co., Ltd. (note a)	—	5
	<b>124</b>	<b>129</b>

The credit period on the trade payables is 0 to 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.

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
Within 90 days	—	5

Notes:

- (a) Mr. Sou Kun Tou ("Mr. Sou") and Mr. Kuok Lam Sek ("Mr. Kuok ") have beneficial interests over these related companies.
- (b) CCM-EHY JV is an associate of the Group.
- (c) Mr. Ho Lawrence Yau Lung ("Mr. Ho"), a substantial shareholder of the Company, has beneficial interests over these related companies.

### 13. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. As at 30 June 2019, the pledged bank deposits carried interest rate range at 1.8%–2.2% (31 December 2018: 0.5%–2.4%) per annum and with an original maturity of three months to one year.

As at 30 June 2019, the fixed bank deposits carried interest rate range of 2.2%–2.8% (31 December 2018: 2.3%–2.6%) 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 2018: 0.01%) per annum.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 14. CREDITORS AND ACCRUED CHARGES

	<b>30.6.2019</b> <b>MOP'000</b> <b>(Unaudited)</b>	31.12.2018 MOP'000 (Audited)
Trade payables	<b>12,913</b>	36,438
Retention payables	<b>5,135</b>	5,135
Other creditors and accrued charges		
– Accrued staff costs	<b>8,466</b>	13,855
– Accrued construction costs	<b>32,274</b>	61,881
– Other accruals	<b>1,992</b>	9,166
	<b>60,780</b>	126,475

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

	<b>30.6.2019</b> <b>MOP'000</b> <b>(Unaudited)</b>	31.12.2018 MOP'000 (Audited)
0–90 days	<b>12,903</b>	36,035
91–365 days	<b>10</b>	403
	<b>12,913</b>	36,438

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

	<b>30.6.2019</b> <b>MOP'000</b> <b>(Unaudited)</b>	31.12.2018 MOP'000 (Audited)
On demand or within one year	<b>1,344</b>	1,344
After one year	<b>3,791</b>	3,791
	<b>5,135</b>	5,135

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 15. SHARE CAPITAL

	Number of shares	Amount MOP'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2018	38,000,000	391
Increase in authorised share capital (note a)	4,962,000,000	51,109
At 30 June 2018, 31 December 2018 and 30 June 2019	5,000,000,000	51,500
<b>Issued and fully paid:</b>		
At 1 January 2018	2,000	*
Issue of shares pursuant to capitalisation issue (note a)	959,998,000	9,888
Issue of shares pursuant to public offering (note b)	240,000,000	2,472
At 30 June 2018 and 31 December 2018	1,200,000,000	12,360
Shares repurchased and cancelled (note c)	(1,918,000)	(20)
At 30 June 2019	1,198,082,000	12,340

\* Less than MOP1,000

Notes:

- (a) 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 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.

- (b) 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.

- (c) The Company repurchased 1,918,000 shares of the Company's shares in April 2019 for an aggregate consideration paid of approximately HK\$2,513,000 (equivalent to approximately MOP2,589,000) and cancelled those shares in May 2019.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 16. 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 employees, directors, advisers, consultants, suppliers, customers and distributors of the Group (“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. The Share Option Scheme became effective on 13 February 2018 and, unless otherwise cancelled or amended, remain in force for 10 years from that date.

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%

The estimated fair values of the options granted on 3 April 2018 was approximately MOP1,457,000. During the current interim period, no share-based compensation expenses was recognised (the six months ended 30 June 2018 was MOP1,112,000).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 17. 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	
		30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Office rental expenses	330	330
	Premise rental expenses	99	99
Autoduct (Macao) E & M Engineering Co., Ltd.	Construction works expenses	—	492
Melco Resorts & Entertainment Limited	Construction contract income	12,000	123,882
	Service income	33,644	28,923
Macao Modern Environmental Protection Technology Company Limited (note a)	Purchase of raw materials	—	2,161
CCM — EHY JV	Construction contract income	5,679	—
Black Spade Capital Limited	Consultancy fee	742	124

Notes:

(a) Mr. Sou and Mr. Kuok have beneficial interests over the related company.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2019

### 17. RELATED PARTY DISCLOSURES (Continued)

#### (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	
	30.6.2019 MOP'000 (Unaudited)	30.6.2018 MOP'000 (Unaudited)
Short term benefits	7,103	7,016
Post-employment benefits	11	11
	7,114	7,027

### 18. 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 13), 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:

	30.6.2019 MOP'000 (Unaudited)	31.12.2018 MOP'000 (Audited)
Issued to the Group by banks	81,995	75,019

As at 30 June 2019, the Group has obtained total credit facilities of approximately MOP509,000,000 (31 December 2018: MOP309,000,000) for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP32,800,000 (31 December 2018: MOP22,600,000); (ii) the promissory notes of approximately MOP590,800,000 (31 December 2018: MOP370,800,000); and (iii) the corporate guarantee provided by the Company.