MECOM
POWER & CONSTRUCTION

澳能建設控股有限公司
MECOM Power and Construction Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1183

2020 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

AUDIT COMMITTEE

Ms. Chan Po Yi, Patsy *(Chairlady)*
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

REMUNERATION COMMITTEE

Mr. Lio Weng Tong *(Chairman)*
Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent

NOMINATION COMMITTEE

Mr. Cheung Kiu Cho, Vincent *(Chairman)*
Mr. Lio Weng Tong
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

Level 20
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, 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
and Registered Public Interest Entity Auditor
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:
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

PRINCIPAL BANKERS

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

STOCK CODE

1183

WEBSITE

www.mecommacau.com

Chairman’s Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of MECOM Power and Construction Limited ("MECOM" or the "Company"), I present to you the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 (the “Year” or "2020").

During the Year, the Macau Special Administrative Region (“Macau”) of the People's Republic of China (the “PRC”), where the Group’s core business is located, was affected by the global outbreak of COVID-19, causing a noticeable decrease of both the number of inbound tourists arriving at Macau and its gaming revenue. In February 2020, as a curb to COVID-19, the Macau government imposed an unprecedented 15-day closure order on casinos, causing the gaming industry, the economic pillar of Macau, to come to a virtual standstill in the first half of 2020. In 2020, the accumulated gross revenue from gaming revenue plummeted 79.3% from MOP292.5 billion in 2019 to MOP60.4 billion. According to data from the Statistics and Census Service of the Government of Macau, the number of tourists to Macau drastically dropped from 2.9 million in January 2020 to 660,000 in December 2020, as a result of the mandatory quarantine and medical observation of tourists as well as the restrictive border control measures. In addition, Macau’s economy was affected by the uncertainty of the presidential election in the United States (the “US”), the trade war between China and the US and the slowdown of the Chinese economy. According to government data, Macau’s Gross Domestic Product (GDP) decreased 63.8% year-on-year in the third quarter of 2020. Casino expansion and renovation plans have been postponed due to economic fluctuations. The construction industry, in particular, bore the brunt.

Notwithstanding the aforementioned adversities, the stringent border control measures implemented by the Macau government were proved to be amazingly effective in containing the pandemic. In September 2020, travel restrictions from the Chinese Mainland to Macau have been lifted, soothing the tourism in Macau. The governments of Macau and China had launched supportive measures for economic recovery such as restoring tourist visas to Macau from the Chinese Mainland in phases. Envisioning to diversify the casino-dependent economy, the Central Government has rolled out plans to position Macau as “One Centre, One Platform and One Base” in order to fully leverage on the special status and unique advantages of Macau to consolidate and enhance the traditional tourism and to develop Macau into the next financial center and exhibition and convention hub. Besides, President Xi Jinping’s visit to Macau for the 20th anniversary of Macau handover signaled the initiatives to deepen the integration with mainland cities in the Greater Bay Area and the region around the Pearl River Delta. Macau will develop in collaboration with the neighboring regions of China. During the Year, a number of infrastructure projects have been steadily progressing in Macau, including the construction of the Seac Pai Van Light Rapid Transit (LRT) Line, the LRT East Line, the LRT Hengqin Port Connection Line, the extension works of the Airport, the alteration of Taipa Ferry Terminal 2, etc.

Despite of the great impact to the global economy caused by COVID-19 in 2020, the adverse impact was relatively mild on the construction industry. During the outbreak of COVID-19, some gaming enterprises seized the opportunity to accelerate their renovation and alteration works to upgrade the facilities as well as to increase the proportion of non-gaming business revenue. With our outstanding construction capability and cordial relationship with our customers, the Group secured more than 20 projects during the Year with a total value of over MOP1.2 billion, covering the podium architectural builders works and finishes and podium façade works for a new hotel complex, the heating ventilation and air-conditioning system and wet fire system works for a new hotel complex, the information technology systems for a new hotel complex and construction works for a residential development project. In addition, the Group has renewed the term of services for three facility management services agreements for provision of operation and maintenance services for mechanical, electrical and plumbing systems of a hotel complex and energy centers of a casino gaming operator for a further term of two years to generate stable cash flow. We are confident that we will obtain more facility management contracts when the new casinos and resorts in the Cotai area open in the near future so that we can further expand the Group’s facility management business. On the other hand, during the Year, we have been awarded a contract for the construction of a new high voltage substation and its system installation works by Companhia de Electricidade de Macau in the Orientale de Macau. The construction works of the HK$6.5 billion new hotel complex in Cotai, Macau, under a joint venture co-established by the Group and two subsidiaries of a state-owned enterprise, also commenced during the Year and the Group has successfully secured parts of the projects under the joint venture. Such achievements represent customers’ recognition on our high construction quality and engineering management capabilities. We have also gained larger market share in the increasingly competitive industry.

Chairman's Statement

Amid the difficult economic situation, while maintaining steady development of the principal businesses, leveraging our outstanding construction capability, the Group has also been proactively diversifying its revenue source and business scale by developing our new businesses including electrical and mechanical ("E&M") engineering services works and electric vehicles ("EV") charging projects. Substantial part of the project of providing extra low voltage systems works, ventilation and air conditioning system works for the building of the Public Prosecutions Office of Macau (Phase II) with a contract amount of MOP62 million has been completed during the Year. During the Year, the Group also entered into a memorandum of understanding with a US-listed Macau gaming operator to establish and operate an EV charging system covering approximately 3,100 parking spaces at a new hotel complex it owns and other properties it operates in Macau. The Group has also entered into a strategic partnership with Ubitricity for EV charging and billing solutions to develop, manufacture and distribute market-specific EV charging and billing solutions for the EV industry in the Greater Bay Area. Grabbing hold of the opportunity from the HK$2 billion pilot subsidy scheme which aims to promote installation of EV charging-enabling infrastructures in car park of existing private residential buildings as announced by the Hong Kong Government, the Group is participating in a residential building project for installation of EV charger facilities. Up to the date of this report, the Group has entered into three five-year contracts for undertaking EV charging projects at residential property projects in Zhongshan City and Guangzhou City, Guangdong Province, the PRC, covering a total of 2,953 parking spaces and the scope of work includes provision of design, supply, installation, operation and maintenance services for EV charger facilities. In the future, the Group will continue to develop its business in the markets in Macau, Hong Kong and the Greater Bay Area to enhance profitability and consolidate its market leadership amongst Macau's integrated construction works enterprises. We believe that the development of EV charging system business enables the Group to leverage on the existing strengths and resources of the Group, creating complementary effect and synergy to our existing businesses.

Benefited from the effective preventive measures against COVID-19, the launch of the COVID-19 vaccine and the supportive policies introduced by the Chinese and Macau governments, the negative impact of the epidemic is expected to be mitigated, and the economic growth momentum will continue. The Group remains confident in the long-term prospect of Macau and our businesses and will embrace challenges and opportunities with cautious optimism. In addition, multiple government infrastructure projects are also in full swing including the construction of transport infrastructure such as the LRT East Line, the LRT Hengqin Port Connection Line, the fourth Macao-Taipa cross-harbor bridge, and the roads and infrastructure projects in New Town A Zone. These favourable factors are expected to generate rare development opportunities for construction enterprises. The Group will also continue to strengthen its corporate governance and talent training, acquire new machines and equipment to sharpen its competitiveness and consolidate its industry leadership.

Last but not least, on behalf of Board and the management of the Group, I would like to express my gratitude to all the employees for the valuable contributions and high-quality services during the Year, and to our shareholders (the "Shareholders"), investors, customers, suppliers and partners for the strong support. MECOM will continue to strive for sustainable growth, while generating satisfactory returns for the Shareholders.

Kuok Lam Sek
Executive Director and Chairman

Hong Kong, 29 March 2021

Management Discussion and Analysis

COMPANY OVERVIEW

The Group is a leading company in both the civil engineering industry and the high voltage power substation construction industry in Macau. It undertakes highly challenging and complex construction projects in four major segments, namely construction and fitting out works, high voltage power substation construction and its system installation works, E&M engineering services works and provision of facilities management services. During the Year, the Group has diversified its construction business to cover E&M engineering services works.

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, concreting and builder works, and the integration of these construction methods for building highly efficient structures. 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 infrastructures installed with high voltage power systems.

E&M engineering services works generally involve a combination of the supply and/or installation of (i) LV systems works; (ii) HVAC systems works; and (iii) ELV systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. LV systems works include the supply and installation of cables, earthing, lighting systems, power cables, electrical wiring, switchboards, power outlets and other related electrical equipment that relates to the power supply and distribution within a building. HVAC systems works include the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems for buildings, as well as the supply and installation of related pipes, ducts, air-conditioning units, ventilation fans and other related equipment. ELV systems works include the procurement and installation of telephones, closed-circuit television (used for security video surveillance purposes) and any other systems within a building that require a transmission signal.

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.

Management Discussion and Analysis

BUSINESS REVIEW

The global economy suffers huge setback from COVID-19, and Macau has not been spared. In the first half of 2020, gaming industry as the economic pillar of Macau came to a virtual standstill, and the sluggish economy hindered the development plans of gaming businesses and resort operators. However, with the pandemic under control and precautionary measures gradually relaxed, Macau's economy recovered in the second half of 2020. Some gaming enterprises and resort operators also seized the opportunity of the short-term suspension to carry out alteration and addition works, which helped to mitigate the impact of COVID-19 on the construction industry.

In terms of business operation, the Group undertook construction works in line with the needs of its customers, whereas a number of key projects proceeded smoothly. As the majority of the construction workers were recruited from Macau and other PRC regions that are relatively less affected by the COVID-19 pandemic, the impact of the pandemic on the progress of the project was limited except for the supply chain which was affected by the delay in logistics. During the Year, revenue increased by 41.8% year-on-year to MOP707.3 million (2019: MOP498.9 million), of which more than 60% was attributable to civil engineering and steel structure engineering services, the business segments which the Group is endowed with core technology, followed by E&M engineering works and repairs and maintenance engineering works. However, due to the impact of the pandemic and other factors, the profit margins were consequently lowered. During the Year, gross margin and net profit margin were 12.4% (2019: 20.5%) and 7.2% (2019: 11.3%), respectively. The decline in profitability was attributable to various factors. Firstly, part of the supply chain of raw materials, accessories and equipment imported from China was interrupted during the pandemic, which led to the surge in costs. Additionally, most of the completed projects of the Group during the Year were large-scale development projects with generally higher set-up cost in the initial stage and lower project cost in the middle and later stages. Also, as the projects progress, there are usually related variation works with higher profit margin, and hopefully, the overall profit margins can then be raised. With the pandemic under control in the second half of 2020, the gross margin for civil engineering and steel structure engineering improved from 9.6% in the first six months of 2020 to 12.6% for the whole year 2020.

During the Year, the Group's facilities management services progressed steadily, contributing to a stable and sustainable cash flow for the Group. At the same time, the Group also expanded its E&M engineering services works, with the business segment generating revenue of MOP152.8 million in 2020, accounting for 21.6% of total revenue and contributing MOP9.7 million in gross profit to the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue in 2020 and 2019:

	2020		2019	
	MOP'000	**%**	MOP'000	%
Construction and fitting out works	**465,360**	**65.8**	367,587	73.7
High voltage power substation construction and its system installation works	**12,098**	**1.7**	39,235	7.9
E&M engineering services works	**152,776**	**21.6**	–	–
Facilities management services	**77,079**	**10.9**	92,123	18.4
Total	**707,313**	**100.0**	498,945	100.0

The Group recorded a revenue of MOP707.3 million for the Year, representing an increase of MOP208.4 million or 41.8% as compared to 2019. The increase in revenue was mainly contributed from construction and fitting out works and E&M engineering services works with an increase in revenue of MOP97.8 million and MOP152.8 million, respectively.

Growth in revenue of construction and fitting out works was mainly due to the substantial construction in progress of various large-scale construction and fitting out works projects. The construction works regarding (i) the phase 2 development of a new hotel complex in Cotai, Macau and (ii) a new hotel situated at Travessa do Comandante Mata e Oliveira generated revenue of MOP289.9 million and MOP65.3 million, respectively.

During the Year, the Group had diversified its construction business to include E&M engineering services works. Revenue from E&M engineering services works were contributed by the works performed for (i) the building of the Public Prosecution Office of Macau (Phase II) awarded in May 2019 and undertaken in 2020 and (ii) the information technology systems for a new hotel complex awarded and undertaken during the second half of 2020.

Management Discussion and Analysis

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin during 2020 and 2019:

	2020		2019	
	Gross profit MOP'000	Gross margin %	Gross profit MOP'000	Gross margin %
Construction and fitting out works	58,516	12.6	87,933	23.9
High voltage power substation construction and its system installation works	4,993	41.3	3,563	9.1
E&M engineering services works	9,707	6.4	–	–
Facilities management services	14,171	18.4	10,729	11.6
Total/overall	87,387	12.4	102,225	20.5

The Group recorded a gross profit of MOP87.4 million for the Year, which represented a year-on-year decrease of 14.5% (2019: MOP102.2 million). Our gross margin decreased from 20.5% in 2019 to 12.4% in 2020 primarily attributable to the overall impact of the pandemic and other factors.

The gross margin of the Group's construction and fitting out works decreased from 23.9% in 2019 to 12.6% in 2020. Due to the outbreak of COVID-19, part of the supply chain of raw materials, accessories and equipment imported from China for construction and fitting out works was interrupted during the period of pandemic, which accounted for the surge in costs. In addition, a larger portion of the revenue from construction and fitting out works during 2019 was from the variation works of a substructural steelworks construction project which had a higher gross profit margin mainly due to the favourable rate of variation orders.

E&M engineering services works generated 6.4% gross margin for the Year, due to the relatively high set up cost of new business at the initial stage.

The gross margin of facilities management services increased from 11.6% in 2019 to 18.4% in 2020, primarily attributable to more direct labour used for the facilities management services during the Year.

Other income

Other income decreased by MOP2.3 million or 39.2%, which was attributable to the decrease in rental income from the Group's industrial unit in Macau after the expiry of the existing tenancy in October 2019.

Impairment losses under expected credit loss ("ECL") model, net of reversal

The Group's impairment losses of trade receivables, trade-nature amounts due from related companies and contract assets were MOP1.7 million (2019: MOP3.0 million). The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, trade-nature amounts due from related companies and contract assets. To measure the ECL, the Group has estimated the expected loss rates for the trade receivables, the trade-nature amounts due from related companies and the contract assets on the same basis.

Management Discussion and Analysis

Administrative expenses

Administrative expenses decreased by MOP8.2 million or 19.9% mainly due to additional professional fees incurred in relation to the preparation of relevant documentary works as the Group picked up its pace in bidding during 2019.

Income tax expense

Income tax expense decreased by MOP1.7 million or 21.7% primarily due to (i) a decrease in gross profit; and (ii) reversal of over-provision of MOP2.1 million in prior years.

Profit for the Year

The Group's profit for the Year decreased by MOP5.4 million or 9.6% primarily attributable to the combined effect of the abovementioned items.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Failure to secure new projects

It is customary in the construction industry that construction projects are awarded to contractors on a project-by-project basis through a tender process where the tenders of all bidders will be considered and assessed by the project awarding company. The Group's revenue is typically derived from projects which are non-recurrent in nature. Our projects are primarily secured through direct invitations for quotation or tender processes. Save for the facilities management services which are in general provided for a term contract basis, the Group generally does not enter into long-term agreements with its customers and its customers are therefore under no obligation to award projects to the Group. As such, there is no guarantee that the Group will be able to secure new businesses from customers after completion of the existing awarded projects. Accordingly, our revenue may fluctuate from period to period depending on the actual volume of our business. It may also be difficult to forecast the volume of future business.

Underestimation of tender price and project cost overruns

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

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

Management Discussion and Analysis

Uncertain external factor

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

Epidemic outbreaks

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified and has since spread around the world. Visits to Macau and gross gaming revenues in Macau have significantly decreased since the outbreak of COVID-19, driven by the strong deterrent effect of the COVID-19 on travel and social activities, broad quarantine measures and travel restrictions. As a result, the business, operations, financial condition and operating results of gaming enterprises were adversely affected. In light of the unprecedented COVID-19, some gaming enterprises temporarily postponed their major project capital expenditures for 2020 and will resume such project capital expenditures when conditions become more stable.

During the Year, a substantial amount of the Group's revenue was generated from the hotel and/or casino-related projects in Macau. If COVID-19 continues to negatively impact the business of project owners or customers who are casino owners or operators in Macau, they may not be able to continue conducting their business as presently conducted, and we may not be able to generate recurring business from such customers. There is no assurance that the availability of hotel and/or casino-related projects in Macau will maintain at the current level in the future. In the event that hotel and/or casino-related projects are not available, and/or we fail to explore new business or identify new customers or develop business relationship with new customers, our results of operation and financial performance would be materially and adversely affected.

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

The Group sets a number of KPIs to support the delivery of its strategies with its performance, including the following, and others in respect of environment, social and governance matters which are discussed in the Environmental, Social and Governance Report on pages 20 to 31 of this annual report.

Strategy	KPIs	Performance
Maximise value for the Shareholders	Gross profit margin = 12.4% (2019: 20.5%) Return on equity = 11.6% (2019: 12.2%)	The Group managed to maintain stable and positive operational performance during the Year by effectively controlling costs and significantly enhancing the Group's management efficiency.
Improve the Group's liquidity	Net cash from operating activities = MOP37.6 million (2019: MOP13.1 million) Bank balances and cash (including fixed deposits) = MOP175.3 million (2019: MOP223.7 million)	The Group adopts a policy of regularly monitoring the liquidity requirements and its compliance with financial covenants applicable to its credit facilities so as to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet the liquidity requirements of the Group in the short and longer term.

Management Discussion and Analysis

LIQUIDITY AND 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 the management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

As at 31 December 2020, the Group had net current assets of MOP387.0 million (2019: MOP405.0 million). The current ratio of the Group as at 31 December 2020 was 3.3 (2019: 3.4).

The Group continued to maintain a healthy liquidity position. As at 31 December 2020, the Group had total cash and bank balances (including fixed bank deposits) of MOP175.3 million (2019: MOP223.7 million).

As at 31 December 2020, the Group's unutilised credit facilities was MOP367.4 million (2019: MOP312.0 million).

As at 31 December 2020, the Group had no bank borrowings (2019: nil) and the Group's gearing ratio (calculated by dividing total debts with total equity) was zero (2019: zero).

As at 31 December 2020, the Company's share capital and equity amounted to MOP12.3 million and MOP426.7 million, respectively (2019: MOP12.3 million and MOP450.6 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 31 December 2020, 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 Year.

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 31 December 2020.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares ("Shares", each a "Share") 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 of the Company 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 as 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 and Analysis

The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2020:

	Revised applications (HK$ million)	Actual usage up to 31 December 2020 (HK$ million)
Financing the issuance of performance bonds when undertaking new projects (Note 1)	112.4	72.7
Establishing storage facilities (Note 2)	44.3	44.3
Recruiting additional staff	45.2	45.2
Acquiring additional machinery (Note 1)	16.8	15.1
Financing the upfront costs for new projects (Note 2)	16.7	16.7
General working capital	26.2	26.2
	261.6	220.2

Notes:

1. The Group experienced delay in several new projects since 2018 due to delays in obtaining construction project approval, construction work licensing and work permits for foreign workers from the relevant regulatory and supervisory authorities in Macau. Project approval resumed normality in the second half of 2019. To the best knowledge and belief of the Directors, the unutilised amounts of the net proceeds are expected to be fully utilised during the year ending 31 December 2021.

   Up to the date of this report, the Group has utilised HK$82.6 million and HK$15.1 million of the total net proceeds for financing the issuance of performance bonds and acquiring additional machinery, respectively.

2. With reference to the Company's announcement dated 28 February 2019, as the Company had already acquired an industrial unit in Macau to serve as a permanent base for the Group's centralised warehouse, the Board had resolved to reallocate the then 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 31 December 2020, the Group had pledged bank deposits of MOP57.1 million (2019: MOP42.4 million) that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 (2019: nil).

COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (2019: nil).

Management Discussion and Analysis

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.

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 31 December 2020, the Group had 355 (2019: 269) employees in Hong Kong and Macau, comprising 73 Macau residents and 282 non-Macau residents (2019: 77 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.

Details of movements in the share options granted under the Share Option Scheme during the Year and options outstanding as at 31 December 2020 are set out in the sections headed "Directors' Report" on pages 47 to 57 of this annual report.

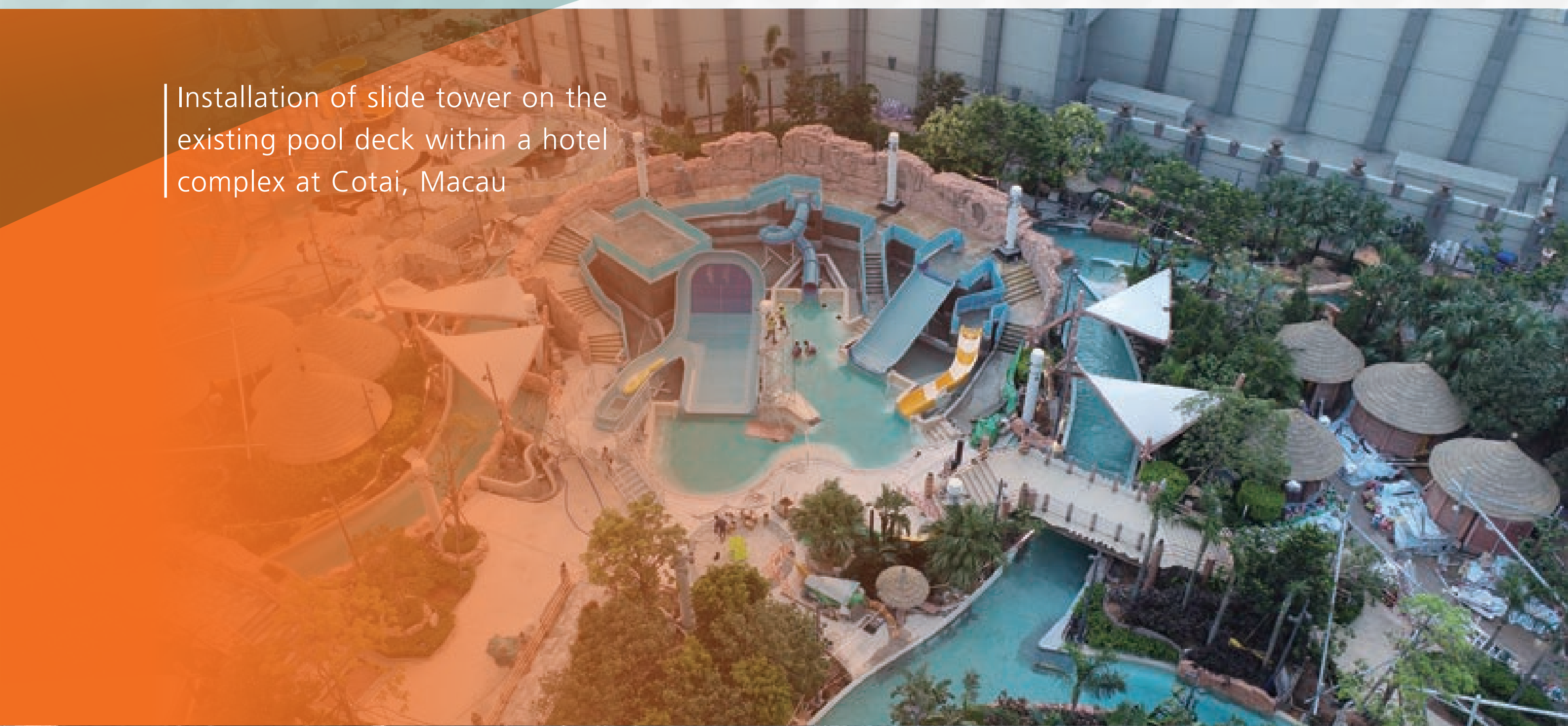
PROSPECTS

There are numerous optimistic factors in the mid to long term construction blueprint of Macau, which, hopefully, will continue to incentivise market demand for construction projects. As the validity period of casino operation concession in Macau will expire by June 2022, casino gaming operators need to pour in funds to upgrade the facilities to increase their chance for renewal. Despite the fact that the pandemic has hit Macau's tourism industry, it provided an opportunity for casino gaming operators to speed up their development plans. The expansion works of the casino gaming operators have boosted the demand for construction works.

Looking forward into 2021, the economies of various countries could come out of the pandemic and readjust their deployment. New energy development is an important part of the world's development, and various countries are more actively promoting the development of electric vehicles. In the 2019 "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", it is mentioned that strategic emerging industries such as new energy, energy-saving and environmental protection and new energy vehicle industries should be nurtured and strengthened to form an industrial agglomeration with energy-saving and environmental protection technology research and development and headquarters base as the core. According to data from the Macau Transport Bureau, the total number of electric vehicles in Macau has increased by 64.4% from 685 in 2019 to approximately 1,126 in the first nine months in 2020. With the increasing number of electric vehicles, we believe that the demand for electric vehicle charging facilities is bound to increase. The Group's electric vehicle charging and billing solutions will enable us to capture the market opportunities and increase our market share.

As at 31 December 2020, the Group's total aggregate value of contracts on hand yet to complete amounted to MOP1.3 billion. Together with the successful tendering of over MOP44 million worth construction and fitting out works for the installation of a water park slide in a new hotel complex in early 2021, the Group recorded over MOP1.34 billion in total aggregate value of contracts on hand yet to complete in the first quarter of 2021, which testifies to the fact that the Company has sufficient contracts on hand. Despite the uncertainty of the global economy, with the commencement of many new projects including the "Macau New Neighborhood" and the upcoming construction of schools and public housing projects in the new reclamation area, the Group will proactively seize the opportunity to strengthen the talent training and strive to participate in various large-scale development and construction projects. While consolidating existing businesses, we will expand new businesses and increase our market share to create better investment value and returns for the Shareholders.

Major Projects
Completed In 2020



Installation of slide tower on the existing pool deck within a hotel complex at Cotai, Macau

Management Discussion and Analysis

Foundation works (including precast prestressed concrete and bored piles) for a new hotel complex at Cotai, Macau

Management Discussion and Analysis

E&M engineering services works (including extra low voltage systems works and ventilation and air conditioning system works) for the building of the Public Prosecutions Office of Macau (Phase II)

Management Discussion and Analysis

Construction projects in progress

Construction works for a hotel situated on a parcel of land at No.5–11, Travessa do Comandante Mata e Oliveira, Macau

Management Discussion and Analysis

Construction works for a residential development project at Nos. 1 and 8–10 Rua de António Basto (巴士度街) and Nos. 38–40 Rua de Alves Roçadas (羅沙達街), Macau

Environmental, Social and Governance Report

ABOUT THIS REPORT

MECOM is delighted to present its fourth Environmental, Social and Governance ("ESG") Report (the "ESG Report") to summarise the sustainability efforts and progress of the Group for the Year.

Reporting Framework

The ESG Report is prepared in accordance with ESG Reporting Guide (the "Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The reporting principles of materiality, quantitative, balance, and consistency have been strictly applied in determining and compiling the content of the ESG Report in order to maintain high quality disclosure and the "comply or explain" provisions have been complied with.

Materiality	We conducted regular materiality assessment to determine the social and environmental topics that matter most to the organisation's business and its significant stakeholders who are identified through the stakeholder engagement process. The contents of the ESG Report are prioritised to address the most important topics and provide valuable and up-to-date information to our stakeholders.
Quantitative	For the environmental section, quantitative indicators are reported with definitions and calculation methods to provide clear measure of performance and ensure numerically comparable over years. We will set up the data collection mechanism for reporting the social data in next financial year.
Balance	We gather and report the ESG information in an objective and unbiased manner by revealing the potential risks and opportunities associated with the ESG topics in order to maintain credibility of the Report.
Consistency	We ensure consistency of the reporting standards, data collection and calculation methods adopted and provide figures of previous years to allow meaningful comparison.

Reporting Boundary

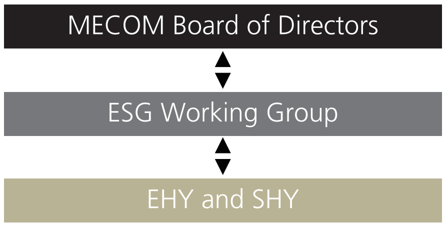
The ESG Report focuses on the Group's environmental and social related policies, initiatives and performances arising from its businesses and operations in construction and fitting out works, high voltage power substation construction and its system installation works, electrical and mechanical engineering services works and facilities management services, over which the Group has direct management control, unless otherwise specified.

Additional details of the corporate governance and risk management practices can be found in the Corporate Governance Report on pages 35 to 46.

Environmental, Social and Governance Report

SUSTAINABILITY APPROACH

Sustainability is at the heart of MECOM's company strategy and we strive to be environmentally and socially conscious in operating our business. As a leading construction engineering contractor in Macau, we seek to enhance our stakeholders' values and secure the sustainable growth of our business. As such, we have established a 3-level management framework to promote sustainability into our value chain between the Board, ESG working group, as well as EHY Construction and Engineering Company Limited ("EHY") and Sun Hung Yip Engineering Construction Company Limited ("SHY"):



The Board, as the highest governance body of MECOM, is fully committed to the sustainable growth of our business. The Board facilitates the establishment of our ESG objectives, priorities and strategies with consideration to the ESG risks and opportunities we come across and foresee in the horizon. The Board oversees the Group's overall ESG direction and delegates certain execution and control authorities to the ESG working group as appropriate.

Our ESG working group comprises members designated by the management team spanning across administration, accounting, human resource, company secretarial, building cost and contract, and construction management departments. They are responsible for strengthening our ESG practices through initiating, implementing and monitoring ESG activities and control systems. ESG performances are measured, reviewed and reported to the management team, which will then be presented to the Board and the audit committee on whether appropriate and effective ESG risk management and internal control systems are in place.

In addition, we attached great importance to the regulatory compliance. Rules and regulations relating to the environmental and social aspects of our operations are identified and managed by our respective departments. We carefully monitor the changing laws and regulations and any updates to the compliance requirements will be circulated among the department managers. We uphold business ethics and constantly enhance employee engagement by creating a working environment where ethical conduct is the norm.

STAKEHOLDER ENGAGEMENT

The concept of stakeholder inclusiveness is embedded into our decision-making process. We believe that building a trusted relationship with our stakeholders is vital for understanding and responding to their needs and expectations as well as driving a better sustainability performance of MECOM.

We consistently engage with our key internal and external stakeholders, including employees, Shareholders, investors, customers, suppliers, government bodies as well as local communities, from time to time through various channels, such as meetings, e-communications platforms, public events and publications.

The information gathered is thoroughly considered and will be incorporated into our business strategies as appropriate. Attention will be given to the areas that are significant and necessary for further improvement. We are committed to continuously enhancing our stakeholders engagement channels and creating greater value from our products and services to the wider community.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

A materiality assessment was conducted in the Year to reassess the existing ESG topics and identify potential areas that would have a significant environmental and social impact on and are material to our business and the stakeholders' interests. With the guidance of our external ESG reporting consultant, we confirmed that our existing material ESG topics are aligned with our stakeholders' concerns, industry and market trends and reflect the ESG risks and opportunities of the Group. The 14 material ESG topics are presented below:

Material ESG topics to MECOM

Environmental	Social
• Air and Greenhouse Gases Emissions • Waste Management • Energy and Resources Consumption and Efficiency[1] • Noise Control • Environmental Management System • Climate Change	• Human Resources Management • Workplace Health and Safety • Employee Development and Training • Prohibition of Child Labour and Forced Labour • Responsible Supply Chain Selection and Management • Product and Service Quality Management • Preventing Bribery and Corruption • Contribution to Society

ESG REPORTING

An information and data collection template formulated based on the Company's material ESG aspects is adopted and used for the collection of ESG information and data from relevant departments and business units of the Group. We include all material information to enable our stakeholders to evaluate our sustainability performance. The ESG Report has been reviewed by the ESG working group and approved by the Board on 29 March 2021 which confirmed that disclosures made by the Company in the ESG Report meets with the requirements of the Reporting Guide.

ENVIRONMENTAL

MECOM aspires to build an evergreen future by operating our business in a manner that embraces environmental sustainability. The Group has established an "Environmental and Occupational Health and Safety Manual" (the "Manual") to constantly improve our environmental performances at both our office and sites, and to promote awareness among our employees and contractors in key issues including greenhouse gases ("GHG") emissions, energy consumption, waste disposal, air quality and noise control. We have obtained the International Organization for Standardization ("ISO") 14001:2015 Environmental Management System Certification to assure the soundness of our robust mechanism in promoting green practices. Starting from 2019, we have been actively exploring opportunities in sustainable projects and searching for green solutions to address sustainability challenges.

1 Due to our business nature as an engineering service provider, our operation does not involve any significant consumption of water and packaging materials, therefore the relevant disclosures are not applicable.

Environmental, Social and Governance Report

The management of the Group is responsible for monitoring the compliance of relevant local law and regulations as well as international standards, including but not limited to the Environmental Law (Decree No. 2/91/M), Water Supply and Drainage Regulation (Decree No. 46/96/M), Prevention and Control on Environmental Noise (Decree No. 8/2014) and relevant regulations in Macau. The following measures have been adopted to ensure compliance with the laws and regulations in relation to environment protection, water conservation and noise pollution control.

During the Year, the Group has not identified any material non-compliance with environment-related laws and regulations in Macau.

Air and Greenhouse Gases Emissions

While the services provided by the Group were mainly consulting and project management in nature, the Group has owned a number of vehicles for transportation to construction site. In 2020, we further calculate the Nitrogen Oxides (NOx), Sulphur Dioxide (SO_2), Particulate Matter (PM) and Direct scope 1 GHG emissions resulting from the use of vehicles.

Air Emissions	2020
NOx (kg)	**127.03**
SO_2 (kg)	**0.27**
PM (kg)	**10.61**

The major source of our GHG emissions is the direct GHG emissions generated from our vehicles and indirect GHG emissions generated from electricity consumption in our office. The total GHG emissions and intensity for this Year are set out below:

GHG Emission[2]	2020	2019[3]
Direct Scope 1 GHG emission (tonnes CO_2e)	**43.16**	–
Direct Scope 1 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.0001**	–
Indirect Scope 2 GHG emission (tonnes CO_2e)	**21.96**	22.74
Indirect Scope 2 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.00003**	0.00005

In order to reduce direct GHG emissions, we would perform better construction planning to reduce idle vehicles and closely monitor the travel distance of the vehicles. If possible, we also limit vehicle speeds on sites to minimise dust re-suspension and dispersion. With the actual engineering works carried out by our subcontractors, we fulfil our environmental responsibility by actively monitoring their environmental performances. The Group perform regular carbon reviews and work closely with our subcontractors to implement green measures in our projects.

2 Calculation of total GHG emission is based on Appendix 2 to the ESG Guideline issued by the Stock Exchange. The CO_2 Emission factor for electricity is retrieved from the 2019 Sustainability Report published by Companhia de Electricidade de Macau (the "CEM").

3 To ensure information is comparable, the 2019 intensity data was recalculated by dividing the revenue of the year. The office area in 2020 remains the same as in the previous year.

Environmental, Social and Governance Report

We require all construction materials in transit to be covered throughout the transportation process to avoid the spread of dust and particles. Spraying water onto the ground and the dusty materials, when demolition work is carried out, is another common practice for dust containment. Barriers such as board fence are placed around the construction site to control air currents and blown soil. We also conduct weekly dust inspections on designated dust emission sources during the periods of construction. Additionally, the Group encourages our subcontractors to use low-sulphur diesel for vehicles and to conduct regular inspection and maintenance to ensure the emission level meets regulatory standards. The Group will also commit to using more environmental-friendly equipment to minimise emissions in the future.

The Group advocates the avoidance of ozone depleting refrigerants such as hydro-chlorofluorocarbons (HCFCs) in our projects, and promote the use of environmentally friendly ones such as chlorofluorocarbon (CFC). Furthermore, the purchase of refrigerants would only be made when necessary to prevent leakage and pollution at construction sites due to excessive chemical storage. Moreover, for projects involving asbestos, we require our subcontractors to assign only workers with relevant qualifications to perform the contracted works, and they should be supervised by a consultant registered with the Environment Protection Department.

We have also undertaken a series of measures to control the indirect GHG emissions. For details, please refer to the section "Energy and Resources Consumption and Efficiency" below.

Waste Management

Given our business nature as the general contractor in construction projects, there was no significant hazardous waste produced directly by the Group. Paper has been identified as a major source of non-hazardous wastes in our operation, the consumption of which varies a lot depending on the nature of individual projects. The total consumption of paper during the Year is set out below:

Waste	2020	2019
Paper (tonnes)	**3.67**	2.88

For waste reduction and operation efficiency purposes, the Group implements various paperless measures under the "4R" principles. We advocate paperless work environment by deploying digital operation resources such as email, electronic file storage and sharing system. Our employees are encouraged to go paper-light such as adopting duplex printing and copying, and to use recycled paper for printing internal documents to minimise the use of paper.

Above all, we understand the importance of waste management carried out by the subcontractors in our construction sites. The Group has established guidelines to require our subcontractors to implement sound waste management mechanism and measures. To achieve waste reduction at source, we strive to avoid overstocking of materials through effective inventory planning and construction site management. We review our construction plans and schedules to prevent unnecessary generation of wastes due to demolition from improper planning. Used materials such as timber and rubble, as well as steel and metal, are segregated for recycling.

We also maintain strict control on any potential hazardous waste generated by our subcontractors. We perform regular pH tests on waste water to ensure the compliance with sewage discharge requirements. All wastes, especially chemical wastes, generated on site are required to be packed, labelled and stored securely in a proper manner. A licensed collector would be hired by the responsible subcontractors to handle and dispose of such wastes to designated locations. Records were also maintained for inspections internally as well as by the Environmental Protection Bureau.

Environmental, Social and Governance Report

Energy and Resources Consumption and Efficiency

Electricity is the core energy we consume in our office and we use petrol to power our vehicles. The Group adopts resource efficiency and eco-friendly measures and is committed to optimising the use of resources in its office and construction sites. The total consumption of electricity and petrol during the Year is set out below:

Energy and Resource Consumption	2020	2019[3]
Petrol (L)	**18,287**	–
Petrol Intensity (L per MOP’000 of revenue)	**0.0259**	–
Electricity (kWh)	**27,761**	25,754
Electricity Intensity (kWh per MOP’000 of revenue)	**0.0392**	0.0516

We continue to look for replacement to environment-friendly petrol or new vehicles with low emissions and high fuel efficiency.

To control the electricity consumption as well as the corresponding GHG emissions, the Group has continuously reviewed its energy-saving measures and endeavoured to adopt a wide range of programmes and practices to support energy saving. During the Year, we have implemented the following initiatives:

- Eliminate unnecessary energy consumption by switching off idle office equipment, lighting and air-conditioning;
- Install air curtain to maintain indoor temperature and operate air-conditioners at around 25.5 °C;
- Use energy efficient appliances in our office, such as LED lightings and electronic devices with Grade 1 Energy Label (i.e. most energy efficient);
- Perform regular cleaning and maintenance to slow down the deterioration of our equipment and applications; and
- Raise awareness among employees by regular training and communications on best energy saving practices.

In addition to managing energy consumption, the Group is committed to promoting awareness of water conservation amongst its staff by displaying labels as reminders to avoid unnecessary water consumption. During the Year, we did not encounter any problems in sourcing water.

We also require our subcontractors to conserve energy, water and resources throughout the construction process. The workflow has been designed in an energy and resources efficient way. They are encouraged to monitor the energy consumption on their machining equipment. Furthermore, they have reused treated wastewater and conducted regular checking and maintenance to the water pipe system to avoid water leakage.

Besides proper control on the energy and resources consumption within the Group, we continue to introduce energy and water-efficient systems to our clients such as energy-friendly motors and multi-speed fans for ventilation systems, water-cooled heat rejection systems, and condensate water collection system, in order to contribute to the global effort of mitigating climate change.

Environmental, Social and Governance Report

Noise Control

The Group is aware of the noise issues induced by works performed by subcontractors at construction sites in some projects that involved heavy mechanical equipment. Therefore, we require our subcontractors to strictly observe all relevant local laws and regulations, including the Prevention and Control on Environmental Noise (Decree No. 8/2018).

Only materials or equipment that emit an acceptable level of noise are allowed to be used, and such equipment can only be operated within restricted hours to minimise nuisance to the surrounding environment and residents. We also conduct necessary testing and measures before commencement of works to ensure that the noise generated will be at an acceptable level. Containment devices such as noise enclosures are used for piling rigs. Close monitoring of our subcontractors will be in place to check whether there is any potential violation of local regulations.

Environmental Management System

The Group regularly performs environmental assessments to identify potential environmental risks in the workplace as well as the surrounding areas to ensure that the relevant statutory requirements, contractual obligations, and the Group's commitment are met for all our business activities.

In addition, the Group has established an ISO 14001:2015 accredited environmental management system with a purpose to minimise the environmental impact associated with our business. The key features are summarised as below:

- Identify and assess environmental risks as well as relevant legal requirements on an ongoing basis;
- Engage major stakeholders such as employees and subcontractors during the risk assessment process, and jointly develop appropriate mitigation plans;
- Establish measurable and practicable environmental performance objectives and targets, and to evaluate the effectiveness of controls regularly;
- Ensure the availability of resources, and define roles and responsibilities to facilitate effective environmental performance management;
- Investigate and document environmental incidents properly in accordance with relevant legislations and standards, and identify preventive and corrective measures; and
- Perform management review on the environmental management system to assess its adequacy and effectiveness, and identify opportunities for improvement.

Climate Change

Organisations around the globe have been confronting the growing risks associated with climate change. The severe weather events and the changing environmental conditions create direct and indirect implications to humanity. Building climate resilience and transforming towards a low carbon economy is becoming an essential part of business operations.

MECOM has adopted a forward-looking management approach to assess climate change risks and proactively mitigate climate change impacts on our products, services and operations. As a responsible corporate, we also seek to invest in climate-related projects to contribute to a low emission future.

Environmental, Social and Governance Report

At the 2019 Macau International Environmental Co-operation Forum & Exhibition, MECOM announced two upcoming green projects in response to the Greater Bay Area Scheme and The Belt and Road Initiative that promote energy conservation and clean technologies. MECOM will cooperate with China Resources Black Spade New Energy Limited to build applications and infrastructures to handle food wastes, enhance energy efficiency and develop renewable energy in Macau. The Group will also cooperate with three companies from Germany, Mauritius and Macau to build solar farms and power plants in Mauritius.

In September 2020, the Group further announced its new business plan in providing EV charging and billing solutions for the Greater Bay Area with a strategic partnership with ubitricity. ubitricity Group was established in 2008 and is one of the largest energy vehicles charge point operators in the UK with over 2,000 on-street charge points. We expect to leverage ubitricity's patented mobile metering and intelligent charging technology together with our strong expertise and knowledge of EV infrastructure to drive energy sustainability.

SOCIAL

Human Resources Management

Equal Opportunities

Employee well-being underpins our ability in developing value-driven solutions to build a better tomorrow. The Group believes that treating our employees with fairness and respect is one of the key factors to attract and retain talents. Providing equal opportunities and promoting diversity and inclusiveness have been and will always be a fundamental principle of the Group. We strictly observe the local laws and regulations relating to labour practices such as Basic Law on Employment Policy and Labour Rights (Law No. 4/98/M) and Equal Opportunities and Treatment in Employment between Male and Female Workers (Decree Law No. 52/95/M) to protect equality and labour rights.

The Group forbids any form of discrimination or harassment within our workplace and strives to treat all employees with dignity and respect. All decisions regarding recruitment, termination, training, remuneration, promotion of employees should be based on personal capabilities and qualifications without any discrimination on race, skin colour, religion, nationality, gender, age, sexual orientation, disability or other characteristics as protected by law. Our principle of equal treatment and ethical standards have been outlined in the code of conduct for our employees.

Recruitment and Termination

Moreover, the Group has established a structured recruitment and termination process under our Recruitment and Termination Policy. Qualified candidates are selected and employed according to pre-set criteria for fair assessment with the consideration of their interview performances, relevant experiences, and academic and professional qualifications. We also enter into written employment contracts with our employees, which contain information of working hours, salaries and benefits as well as other terms and conditions covering employees' interests.

In order to protect our employees from unreasonable termination, discipline and discharge procedures have been developed, and inappropriate behaviours leading to disciplinary actions or termination are specified in the Employee Handbook distributed to all employees.

Environmental, Social and Governance Report

Promotion, Remuneration and Working Conditions

The Group has established a comprehensive evaluation mechanism to assess the performances of employees in a fair manner for promotion and remuneration. Supervisors are responsible for carrying out performance analysis of their subordinates based on their goal achievements, strengths and development opportunities.

In addition to market practices and business performances of the Group, individual performances are also taken into account when determining respective remuneration packages, in order to fairly reward the contributions of our employees on the Group's success as well as to attract and retain qualified talents. Their wages and benefits are also regularly reviewed to ensure the remuneration packages are competitive and in compliance with applicable laws and regulations.

On the other hand, the Group encourages work-life balance for our employees. We are committed to the provision of fair and reasonable working hours, work allocation and arrangements to our staff members and they are also entitled to annual leave, sick leave, maternity and paternity leave, as well as rest days in accordance with the local employment laws. Group-subsidised staff gatherings such as luncheons and annual dinners are also organised to enhance staff communication and morale.

During the Year, we are not aware of any case of material non-compliance with employment and labour-related laws and regulations in Macau.

Workplace Health and Safety

The Group recognises the importance of health and safety of our employees, as well as subcontractors and other people who might be affected by our business operation. We abide by the local laws and regulations relating to occupational health and safety such as Compensation for Damages Arising from Occupational Accidents and Diseases (Decree Law No. 40/95/M) to protect the physical and mental well-being of our employees and insure them against occupational accidents and diseases. We are fully committed to maintaining the highest standard of work safety practices. With a set of safety management policy developed, all of our management, employees and subcontractors are required to comply with the following principles:

- To comply with statutory and contractual requirements on occupational health and safety and relevant codes of practice;
- To take occupational health and safety into account when planning engineering activities;
- To provide adequate resources, training and instructions to implement effective safety measures;
- To ensure an effective and efficient communication system on safety management and incident reporting;
- To maintain continual improvement of occupational health and safety performance by identifying safety risks and minimising the impacts.

To effectively implement the aforementioned principles and approaches, we have developed an occupational health and safety management system which has been accredited with the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certification.

A safety team consisting of members possessing relevant safety qualifications has been established to perform a safety risk assessment and hazard identification for each project and to ensure all of the project plans comply with our safety guidelines as well as relevant laws and regulations through regular site inspections.

Environmental, Social and Governance Report

The Group also constantly prepares our employees to take necessary actions to prevent and respond to emergencies such as fire hazards. Various preventive measures have been implemented which are regularly reviewed. Site workers are also briefed for potential safety hazards by the safety team prior to commencement of work to minimise chances of accidents. Personal protective equipment is provided to the site workers to eliminate the risk of work-related injuries and occupational disease.

In response to the outbreak of COVID-19, we place the health and safety of our staff at top priority. Regular cleaning and disinfection were carried out to our office area, equipment and facilities to maintain a hygienic and comfortable workplace. We tracked the travel record of our employees and implemented the self-isolation policy to those who returned from overseas regions. Flexible working arrangements were adopted to support work from home and avoid rush hour commuting. These can help protect the well-being of our staff and prevent spread of viruses. In response to the cross border restriction, workers from Macau were firstly assigned to construction projects to ensure the projects continuity. Workers were provided with sufficient mask at work.

During the Year, there were no injuries or fatalities recorded for our direct employees, and we were not aware of any case of material non-compliance with occupational health and safety-related laws and regulations in Macau.

Employee Development and Training

The Group acknowledges the importance of training for the purpose of more satisfying job performance and continuous development of employees. Therefore, the Group is committed to providing relevant opportunities, including induction programmes and external courses such as technical training and regulatory updates. We also support our employees to obtain professional qualifications for the advancement of their career developments. Moreover, supervisors are responsible for providing feedback to their subordinates. We also encourage employees to maintain open discussions on strengths and improvements of each other.

Prohibition of Child Labour and Forced Labour

The Group forbids any unlawful employment, including child and forced labour. We adhere to the minimum age provisions under Labour Relations Law (Law No. 7/2008) set out in Macau and other anti-child and forced labour-related laws and regulations. All of our employees are required to provide relevant identification documents before the commencement of work. We also require our subcontractors to register their employees' identification documents and license numbers to prevent the employment of workers who are not legally eligible to take up any job duties in Macau.

During the Year, the Group was not aware of any case of material non-compliance with child and forced labour-related laws and regulations in Macau.

Responsible Supply Chain Selection and Management

The Group encourages our supply chain partners including subcontractors, suppliers and service providers, to adopt environmentally and socially responsible practices. As mentioned in the above "Environment" section, we have required our subcontractors to operate in an environmental-friendly manner to reduce pollution and wastes.

We prefer to engage supply chain partners with satisfactory environmental and social performances, and will maintain close communication and monitoring regarding these aspects. Regular evaluations such as on-site inspections are conducted, and any exception or non-compliance are reported to the management immediately. Timely remediation on the risks identified is required. Failure in complying with our environmental and social expectations may lead to termination of the business relationship.

Environmental, Social and Governance Report

Product and Services Quality Management

Quality Management

Depending on the project nature, MECOM provides project management or construction services to our clients. As such, we have equipped ourselves with expertise and capability to deliver seamless site management and one-stop solution.

All of our construction services abide by the General Regulation of Urban Construction (Decree Law no. 79/85/M) set out in Macau as well as other local construction related laws and regulations. To ensure our services quality and compliance in different business streams, the Group has established a Quality Management System ("QMS") which has been accredited with the ISO 9001:2015 certification. Internal policy manual has also been set up to provide guidelines to our employees for meeting our quality management objectives as follows:

- To provide effective and reliable services to satisfy the demands and expectations of our clients;
- To comply with all relevant standards, statutory and regulatory requirements;
- To provide appropriate training for employees to enhance the quality of works and services;
- To monitor and improve the effectiveness of QMS by conducting periodic internal reviews, data analysis and enhancement; and
- To obtain feedback regularly to identify the improvement areas of QMS.

Protection of Customer Information and Intellectual Property Rights

The Group values the protection of confidential information of our employees and customers as well as intellectual property rights. We comply with local laws and regulations relating to personal information such as the Personal Data Protection Act (Law no. 8/2005) to prevent misuse of our customers' information. No personal or business sensitive information is allowed to be taken away from our premises physically or through company network, unless it has been formally approved by the management and the respective information is only for the use of performing job duties.

Furthermore, employees are required to acknowledge and comply with the Employee Handbook with regards to the confidentiality clause restricting employees from divulging or communicating any customer or company-related information to any person outside of the Group. Any unauthorised access, disclosure or use of information will be subject to disciplinary actions including termination and legal action.

During the Year, we are not aware of any case of material non-compliance regarding service quality and data privacy-related laws and regulations in Macau.

Preventing Bribery and Corruption

The Group has a zero-tolerance policy towards all forms of corruption and fraud such as bribery, extortion, fraud and money laundering. We follow strictly with the Penal Code of Macau as well as other anti-corruption related local laws and regulations to prohibit any form of unethical behaviours. Therefore, an internal control system has been established to monitor our major business activities ranging from tendering, project management, procurement, payment, to financial reporting so as to control any potential fraud risks. We also regularly engage an independent internal control adviser to evaluate adequacy and effectiveness of our internal control system to ensure sound corporate governance.

Environmental, Social and Governance Report

In addition, training from relevant organisation (e.g. Commission Against Corruption) and legal professionals are arranged for our management team and employees to enhance their awareness of bid-rigging and bribery, as well as the relevant law and regulations. Effective whistleblowing policy and anonymous communication channels have been established for employees, customers and subcontractors in order to help identify and handle fraudulent act properly.

Furthermore, our policy forbids employees to possess any financial or other personal interest in transactions between the Group and our business partners. Potential conflicts of interest that may increase the risk of bribery and bid-rigging will be monitored. If there is any perceived, potential or actual conflict of interest, employees are required to report to the management immediately.

During the Year, the Group was not aware of any case of material non-compliance with corruption-related laws and regulations in Macau.

Contribution to Society

Student Support

We recognise the value of education to the society in ways that enrich and transform lives. To support future leaders and professionals who want to make a difference, we established a partnership with the University of Macau to sponsor academic prizes and scholarships to outstanding graduates since academic year 2018/19. The amount of sponsorship will be MOP10,000 to each awardee, and there will be 10 awardees in total per annum. We are honoured to have such opportunities to demonstrate our commitment in supporting the young generation.

Our chairman, Mr. Kuok Lam Sek (left), and vice president, Mr. Lao Ka Wa (right), presented academic prizes and scholarships to awardees of the University of Macau.

Volunteering and Charity Donation

As a responsible corporation, the Group has been engaging in ongoing community work. We also encourage and support our employees to take part in voluntary services and help the underserved. Members of the Group participated in charitable and meaningful events to show our support for the community.

In December 2018, the Group donated a sum of MOP20,000 to sponsor the event of "Marcha De Caridade Para Um Milhao 2018" held by The Community Chest, a recognised charity organisation in Macau.

In February 2020, we donated a sum of MOP20,000 via the Macau Construction Machinery Engineering Association to assist people affected by the COVID-19 pandemic in Wuhan city and support COVID-19 relief and recovery efforts.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek, aged 58, is an executive Director, the chairman of the Board and the founder of the Group. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Kuok is responsible for the overall management and strategic planning of the Group.

Mr. Kuok has over 38 years of experience in the construction industry. Prior to establishing Engenharia Hung Yip, Mr. Kuok worked as a contractor worker in various construction contractors in Macau, where he commenced his career in the engineering and construction industry. In December 2000, Mr. Kuok founded Engenharia Hung Yip which was then engaged in the steel structure works, where he served as a director and was responsible for the project management and management of various kinds of large scale construction projects (including construction work for the 4th East Asian Games in Macau).

Mr. Sou Kun Tou, aged 54, is an executive Director, the deputy chairman of the Board and the chief executive officer of the Company. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Sou is responsible for the day-to-day business operations of the Group.

Mr. Sou has over 32 years of experience in the construction industry. Prior to joining the Group, Mr. Sou served as an assistant engineer at the planning and development department of Macau Water Supply Co., Ltd., a company which is engaged in water treatment, from August 1988 to December 1989 where he was primarily responsible for assisting engineers in engineering related works. From December 1989 to September 1994, Mr. Sou served as the general manager at Decol Ltd., a provider primarily engaged in electrical and mechanical services work, where he was primarily responsible for designing and managing electrical and mechanical projects. From October 1994 to November 2006, Mr. Sou held various positions at the Macau government and last served as the Chiefe de Divisao de Equipamentos Urbanos, Deste Instituto (民政總處設備處處長) and was primarily responsible for overseeing electrical and mechanical matters.

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

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(continued)*

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy, aged 56, was appointed as an independent non-executive Director on 23 January 2018, and is the chairlady of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Ms. Chan is currently the chief operating officer of Richemont Luxury (Singapore) Pte Ltd., where she is responsible for overseeing its operations in Singapore. She has been working with Richemont Luxury Group, one of the global luxury goods companies, for over 23 years. With more than 23 years of experience in several prestigious multinational corporations, Ms. Chan leads such company in maximising operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning and performance measurement development. Prior to joining Richemont Luxury Group, Ms. Chan served as the financial controller at Marsh & McLennan Limited, a global professional services firm, where she was primarily responsible for the financial control.

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

Mr. Cheung Kiu Cho, Vincent, aged 45, was appointed as an independent non-executive Director on 23 January 2018, and is the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee of the Company.

Mr. Cheung has over 23 years of experience in real estate industry and assets valuation and advisory sector. Mr. Cheung is currently the managing director of Vincorn Consulting and Appraisal Limited, where he is responsible for the corporate valuation and advisory services across Asia. From January 2016 to November 2018, Mr. Cheung joined Colliers International (Hong Kong) Limited, a global real estate firm, and last served as the deputy managing director of valuation and advisory services division in Asia where he was responsible for providing valuation and corporate advisory services across Asia and advised his clients in various acquisition and disposal of various types of projects in different regions.

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

Since June 2006, Mr. Cheung has been an independent non-executive director and the chairman of the nomination committee and remuneration committee and a member of the audit committee of China Automobile New Retail (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 526) which is primarily engaged in manufacturing and trading of household products, operation of department stores and supermarkets, wholesale of wine and beverages and electrical appliances, and car trading services. Mr. Cheung has been appointed as an independent non-executive director and a member of the audit committee and nomination committee of RMH Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8437) which is primarily engaged in provision of medical and surgical services in dermatology in Singapore, since September 2017. Since November 2020, Mr. Cheung has been appointed as a non-executive director and a member of the audit committee, nomination committee and remuneration committee of GTI Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3344) which is primarily engaged in trading of petroleum and chemical products, operation of textile business and RMB bank notes clearing up services business.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Lio Weng Tong, aged 44, was appointed as an independent non-executive Director on 13 December 2019, and is the chairman of the Remuneration Committee and a member of the Nomination Committee and Audit Committee of the Company.

Mr. Lio has over 11 years of entrepreneurial and investment experience in early growth-oriented innovative technology companies, and is particularly passionate about artificial intelligence, blockchain and software as a service industries. Mr. Lio is the founder and director of Teclent Venture Investment Ltd and the seeding investor and co-founder of Koofy Development Ltd. Mr. Lio has been serving as the director of Corporate Finance in CIBT Education Group Inc. since December 2018, which is an education and student housing investment company in Canada focused on the global education market. CIBT Education Group Inc. is listed on the Toronto Stock Exchange (stock code: MBA) and International OTCQX (stock code: MBAIF).

Mr. Lio holds a Bachelor Degree of Computer Science from the University of British Columbia. Mr. Lio also holds a number of social appointments, including being a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省第十二屆委員會), committee member of the Innovation and Technology Commission (創新科技署), the Environmental Protection Department (環境保護署) and the Innovation and Technology Training Committee of the Vocational Training Council (職業訓練局創新及科技訓練委員會) and committee member of the Chinese General Chamber of Commerce, Hong Kong (香港中華總商會).

SENIOR MANAGEMENT

Mr. Lam Kuok Wa, aged 47, is the chief operating officer and is primarily responsible for the day to day operations management, engineering project management and supervision of the Group. Mr. Lam has over 23 years of experience in the civil engineering industry and he joined the Group in 2007.

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

Mr. Lao Ka Wa, aged 47, is the vice president and is primarily responsible for engineering project coordination and supervision of the Group. Mr. Lao has over 27 years of experience in the construction industry and he joined the Group in 2007.

Ms. Tam Wing Yee, aged 39, is the finance manager and the company secretary and is responsible for finance, accounting and company secretarial matters of the Group. Ms. Tam has over 17 years of experience in accounting and auditing and she joined the Group in 2017.

Ms. Tam holds a Bachelor's Degree in Business Administration (Honours) from The Chinese University of Hong Kong. Ms. Tam has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2008.

COMPANY SECRETARY

Ms. Tam Wing Yee, aged 39, is the company secretary. For details of her background, please refer to the sub-section headed "Senior Management" in this section.

Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2020.

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 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 to the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the opinion that the Company has complied with all the code provisions in the CG Code throughout the Year.

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 as its own code of conduct regarding securities transactions by the Directors. 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 Year.

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 from dealing as if he/she were a Director.

CORPORATE GOVERNANCE FUNCTIONS

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

During the Year, the Board is performing the abovementioned corporate governance functions.

Corporate Governance Report

BOARD OF DIRECTORS

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

Board Composition

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

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

Each of the Executive Directors has renewed his service agreement with the Company for a term of three years commencing from 13 February 2021 which can be terminated by either party with three months' written notice. Under the code provision A.4.1 of the CG Code, the INEDs should be appointed for a specific term. Each of the INEDs has renewed his/her appointment letter with the Company for a term of three years commencing from 13 February 2021 which can be terminated by either party with three months' written notice.

During the year ended 31 December 2020, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Independence of the INEDs

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

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

Functions of the Board and Management

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

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

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

Continuing Professional Development

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

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

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

The individual training record of each Director during the year ended 31 December 2020 is summarised below:

Name of Director	Attending training course(s)	Reading materials
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	✓	✓
Mr. Lio Weng Tong	✓	✓

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Attendance Records of Directors and Committee Meetings

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

Code provision A.2.7 of the CG Code has been revised to require that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

A summary of the attendance records of the Directors at the Board and Board Committee meetings and annual general meeting (the "AGM") held during the Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Mr. Kuok Lam Sek	7/7	N/A	N/A	N/A	1/1
Mr. Sou Kun Tou	7/7	N/A	N/A	N/A	1/1
Ms. Chan Po Yi, Patsy	7/7	2/2	1/1	2/2	1/1
Mr. Cheung Kiu Cho, Vincent	7/7	2/2	1/1	2/2	1/1
Mr. Lio Weng Tong	7/7	2/2	1/1	2/2	1/1

Apart from the above regular Board meetings, the Chairman also held a meeting with the INEDs only without the presence of other Directors during the Year.

DIRECTORS' AND OFFICERS' LIABILITIES

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

BOARD COMMITTEES

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

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 to the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Mr. Lio Weng Tong. The Audit Committee is chaired by Ms. Chan Po Yi, Patsy who has appropriate professional qualifications as required under Rule 3.10(2) to 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.

The members of the Audit Committee meet at least twice a year. During the year ended 31 December 2020, the Audit Committee held two meetings during which the Audit Committee has, inter alia, reviewed (i) the consolidated financial statements of the Group for the year ended 31 December 2019 and for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Group; (ii) the risk management and internal control system of the Group; and (iii) the appointment of external auditor and their relevant scope of works.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 to the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of three members, namely Mr. Lio Weng Tong, Ms. Chan Po Yi, Patsy and Mr. Cheung Kiu Cho, Vincent. The Remuneration Committee is chaired by Mr. Lio Weng Tong.

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

Pursuant to code provision B.1.5 to the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2020 is as follows:

Remuneration band	Number of individual
Not exceeding MOP1,000,000	1
MOP2,000,000 to MOP3,000,000	2

The members of the Remuneration Committee meet at least once a year. During the year ended 31 December 2020, the Remuneration Committee held two meetings during which the Remuneration Committee has, inter alia, (i) reviewed the remuneration packages for individual executive Directors and senior management and recommended to the Board; and (ii) made recommendations to the Board on the renewal of service agreements and letters of appointment with Directors during the Year.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of three members, namely Mr. Cheung Kiu Cho, Vincent, Mr. Lio Weng Tong and Ms. Chan Po Yi, Patsy. The Nomination Committee is chaired by Mr. Cheung Kiu Cho, Vincent.

The primary duties of the Nomination Committee include (but without limitation): (i) reviewing the diversity of Board as set out in the Company' board diversity policy (the "Board Diversity Policy") and the Board composition; (ii) developing and maintaining a policy for the nomination of board members (the "Nomination Policy"); (iii) making recommendations to the Board on the selection of individuals nominated for directorship; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (v) assessing the independence of independent non-executive Directors.

The members of the Nomination Committee can call for a meeting anytime when it is necessary. During the year ended 31 December 2020, the Nomination Committee met once, during which the Nomination Committee had, inter alia, (i) reviewed the structure, size, composition and diversity of the Board, (ii) assessed the independence of the INEDs; and (iii) considered the qualifications of the retiring Directors standing for election at the AGM and made recommendations to the Board for the re-election of Directors. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs and that the Directors bring with them complimenting skills and experience appropriate to the requirements of the Company's business.

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's businesses.

Appointment to the Board should be based on merit that compliments and expands the skills and experience of the Board as a whole, and after due regard to factors including, without limitation, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

The Nomination Committee and the Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

Nomination Policy

The Company has adopted the Nomination Policy which sets out the criteria and process in the nomination and appointment of Directors of the Company in order to nominate suitable candidates to the Board.

Criteria for evaluation and selection of candidates for directorship

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

BOARD COMMITTEES *(continued)*

Nomination Policy *(continued)*

Criteria for evaluation and selection of candidates for directorship (continued)

- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the non-executive Director candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity profile.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- The candidate should have sufficient time for the proper discharge of the duties of a Director, including devoting adequate time for the preparation and participation in meetings, training and other activities of the Board or Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Nomination Process – Appointment of New Director

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above and such other factors as it considers appropriate to determine whether such candidate is qualified for directorship.

- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. The Board has the final authority on determining suitable Director candidate for appointment.

- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above and such other factors as it considers appropriate to determine whether such candidate is qualified for directorship.

  Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Policy *(continued)*

Nomination Process – Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above and such other factors as it considers appropriate.

- The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of the retiring Director at the general meeting.

- Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate shall be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules, the memorandum and articles of association of the Company (the "Articles of Association") and/or applicable laws and regulations. In particular, in relation to the election or re-election of an individual as INED at a general meeting, the Board should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

  (i) the process used for identifying the candidate and why the Board believes the candidate should be elected and the reasons why it considers the candidate to be independent;

  (ii) if the proposed INED will be holding their seventh (or more) listed company directorship, why the Board believes the candidate would still be able to devote sufficient time to the Board;

  (iii) the perspectives, skills and experience that the candidate can bring to the Board; and

  (iv) how the candidate contributes to diversity of the Board.

Review

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

DIVIDEND POLICY

Pursuant to the CG Code, the Board has adopted a dividend policy (the "Dividend Policy") which aims to allow the Shareholders to share the profits of the Company whilst retaining adequate reserves for the future growth of the Group. According to the Dividend Policy, declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(a) the Group's actual and expected financial performance;

(b) the Group's liquidity condition, expected working capital requirements, capital expenditure requirements and future expansion plans;

DIVIDEND POLICY *(continued)*

(c) the taxation considerations;

(d) the contractual, statutory and regulatory restriction, if any;

(e) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) any other factors that the Board may deem relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Act of the Cayman Islands and the Articles of Association. The Dividend Policy is subject to review by the Board from time to time and will be amended as and when appropriate.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

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

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

AUDITOR'S REMUNERATION

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

	Fees paid or payable during the Year HK$ million
Annual audit services	1.8
Non-audit services	0.9
Total	2.7

Non-audit services mainly included interim review, taxation and advisory services.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

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

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

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

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

The Group has established safety manuals and project safety plans to ensure that all workers at the construction sites are well aware of all the stipulated safety requirements. In addition, qualified safety officer and safety supervisor are deployed to monitor and implement our safety system in each construction project. The Company has been accredited with ISO 14001 and OHSAS 18001 qualifications in respect of our environmental management system and occupational safety and health management system. As a result, the Board is satisfied that these measures are adequate and effective to promote a safer and healthier environment for the workers at the construction sites.

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

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group which are discussed below. Firstly, the Audit Committee has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations. Our internal control measures, policies and procedures which were codified, adopted and implemented by the Group, have also been updated and revised. Furthermore, the Company engaged an external independent consultant (the "Consultant") to perform periodic review of our risk management and internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies. It is intended to review the effectiveness of the Group's material internal controls so as to provide assurance that key internal control measures are carried out appropriately and are functioning as intended. For the Year, findings and recommendations from such review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(continued)*

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents during the year ended 31 December 2020. The Articles of Association is also available on the websites of the Company and the Stock Exchange.

Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are provision of construction services, including construction and fitting out works, high voltage power substation construction and its system installation works, electrical and mechanical engineering services works, and provision of facilities management services. The principal activities and other particulars of the subsidiaries are set out in note 28 to the consolidated financial statements.

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

The Board has recommended the payment of a final dividend of HK3.0 cents per Share for the year ended 31 December 2020 to the Shareholders whose names appear on the register of members of the Company on 4 June 2021. The payment of the proposed final dividend is subject to Shareholders' approval at the forthcoming AGM. The proposed dividend is expected to be paid on or about 29 June 2021.

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends for the year ended 31 December 2020.

BONUS SHARES

The Board has also recommended to issue bonus Shares (each a "Bonus Share") on the basis of one new Share credited as fully paid for every two existing Shares held by the Shareholders whose names appear on the register of members of the Company on 4 June 2021 (the "Bonus Issue"). The Bonus Issue is subject to, among others, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and the Shareholders' approval at the forthcoming AGM, and if all necessary approvals are obtained, the share certificate of the Bonus Shares will be posted on or about 29 June 2021.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future business development, are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and 6 to 19 respectively of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" in this annual report.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 28 May 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 May 2021.

The payment of the proposed final dividend for the year ended 31 December 2020 and the Bonus Issue are subject to the Shareholders' approval at the AGM. For determining the entitlement to the proposed final dividend and the Bonus Issue, the register of members of the Company will be closed from Thursday, 3 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend and the Bonus Issue, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 128 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 67 of this annual report and in note 27 to the consolidated financial statements, respectively.

The reserves of the Company which were available for distribution to Shareholders at 31 December 2020 were MOP422,996,000.

DONATIONS

During the Year, the Group made other donations amounted to MOP100,000 (2019: MOP100,000).

Directors' Report

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the Year, the Group's top five customers accounted for approximately 80.5% of the Group's total revenue for the Year. The largest customer accounted for approximately 30.1% of the Group's total revenue for the Year.

During the Year, purchases from the Group's top five suppliers and subcontractors accounted for approximately 50.9% of the Group's total purchase costs for the Year. The largest subcontractor accounted for approximately 15.5% of the Group's purchases costs for the Year.

None of the Directors, their associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) has any interest in the Group's five largest customers or its five largest suppliers and subcontractors.

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

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

Mr. Sou Kun Tou and Ms. Chan Po Yi, Patsy will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 32 to 34 of this annual report.

Directors' Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has renewed his service agreement with the Company, and each of the INEDs has renewed his/her appointment letter with the Company, for a term of three years commencing from 13 February 2021 which can be terminated by either party with three months' written notice.

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

PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or in existence during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 22 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 22 to the consolidated financial statements, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and the controlling Shareholder of the Company or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholder of the Company or any of its subsidiaries.

Directors' Report

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted by the Company under the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2020, 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(Note 1)	Approximate percentage of shareholding interest(Note 2)
Mr. Kuok Lam Sek ("Mr. Kuok")(Note 3)	Interest of the controlled corporation	600,960,000 (L)	50.35%
Mr. Sou Kun Tou ("Mr. Sou")(Note 3)	Interest of the controlled corporation	600,960,000 (L)	50.35%
Mr. Cheung Kiu Cho, Vincent	Beneficial interest	50,000 (L)	0.004%

Notes:

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

(2) Based on 1,193,642,000 Shares in issue as at 31 December 2020.

(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.

Directors' Report

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

(ii) Interests in underlying Shares of the Company

Name of Director	Nature of interest	Number of underlying Shares(Note 1)	Approximate percentage of shareholding interest(Note 2)
Ms. Chan Po Yi, Patsy	Beneficial interest	200,000 (L)	0.02%
Mr. Cheung Kiu Cho, Vincent	Beneficial interest	50,000 (L)	0.004%

Notes:

(1) As at 31 December 2020, the interests in the underlying Shares are in relation to the share options granted under the Share Option Scheme.

(2) Based on 1,193,642,000 Shares in issue as at 31 December 2020.

(iii) Interests in associated corporation of the Company

Name of Directors	Name of associated corporation	Nature of interest	Number of Shares	Percentage holding
Mr. Kuok(Note)	MECOM Holding Limited	Beneficial owner and interest held jointly with other persons	100	100%
Mr. Sou(Note)	MECOM Holding Limited	Beneficial owner and interest held jointly with other persons	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 31 December 2020, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, 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(Note 1)	Approximate percentage of shareholding interest(Note 2)
Mr. Lam(Note 3)	Interest of the controlled corporation	600,960,000 (L)	50.35%
Mr. Lao(Note 3)	Interest of the controlled corporation	600,960,000 (L)	50.35%
MECOM Holding Limited	Beneficial owner	600,960,000 (L)	50.35%
Mr. Kuan Chio Man ("Mr. Kuan")(Note 4)	Interest of the controlled corporation	200,000,000 (L)	16.76%
Mr. Lei Kuok Hong ("Mr. Lei")(Note 4)	Beneficial owner Interest of the controlled corporation	4,714,000 (L) 200,000,000 (L)	0.39% 16.76%
Macau New Base Investment Company Limited ("Macau New Base")	Beneficial owner	200,000,000 (L)	16.76%

Notes:

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

(2) Based on 1,193,642,000 Shares in issue as at 31 December 2020.

(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) Macau New Base is owned as to 35% by Mr. Kuan and 35% by Mr. Lei. By virtue of the SFO, Mr. Kuan and Mr. Lei are deemed to be interested in the Shares held by Macau New Base.

Save as disclosed above, as at 31 December 2020, 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.

Directors' Report

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 are disclosed in note 21 to the consolidated financial statements.

Details of movements in the share options granted under the Share Option Scheme during the Year and options outstanding as at 31 December 2020 are as follows:

Name of grantees	Date of grant	Number of share options held as at 1 January 2020	Changes during the Year Granted	Exercised	Lapsed	Cancelled	Number of share options held as at 31 December 2020	Exercise price per share HK$	Exercisable period (Note)
Directors									
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	–	(150,000)	–	–	50,000	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
Employees	3 April 2018	250,000	–	–	–	–	250,000	1.8	3 April 2018 to 2 April 2028
Consultants	3 April 2018	1,050,000	–	(750,000)	–	–	300,000	1.8	3 April 2018 to 2 April 2028
		1,900,000	–	(900,000)	(200,000)	–	800,000		

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.

Directors' Report

COMPETING BUSINESS

During the Year, none of the Directors or the controlling Shareholders of the Company and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

Deed of Non-Competition

The deed of non-competition (the "Deed of Non-Competition") dated 23 January 2018 has been entered into by MECOM Holding Limited, Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao, the controlling Shareholders of the Company within the meaning of the Listing Rules (collectively the "Controlling Shareholders") in favour of the Company, details of which are set out in section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" in the prospectus of the Company dated 1 February 2018.

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2020 are disclosed in note 22 to the consolidated financial statements. These transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Directors' Report

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

The Company repurchased 5,340,000 Shares on the Stock Exchange during the Year. The total consideration (including transaction costs) of the repurchases was approximately HK$8,471,000. All of the repurchased Shares were cancelled during the Year. Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest	Lowest	Aggregate consideration
		HK$	HK$	HK$
January 2020	600,000	1.37	1.29	803,000
April 2020	1,290,000	1.36	1.23	1,651,000
September 2020	2,550,000	1.63	1.57	4,133,000
October 2020	700,000	2.05	1.95	1,410,000
December 2020	200,000	2.37	2.36	474,000
	5,340,000			8,471,000

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 Year.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the Year as required under the Listing Rules.

CORPORATE GOVERNANCE

During the Year, the Directors are of the opinion that the Company has complied with all the code provisions set out in the CG Code under Appendix 14 of the Listing Rules. Details of corporate governance report are set out on pages 35 to 46 of this annual report.

Directors' Report

EMOLUMENT POLICY

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

The emoluments of the Director are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements.

The Company has adopted the Share Option Scheme as an incentive to eligible persons, details of which are set out under the heading "Share Option Scheme" in this 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 31 December 2020 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Kuok Lam Sek
Chairman

Hong Kong, 29 March 2021

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of MECOM Power and Construction Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 65 to 127, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Recognition of revenue from construction contracts</td></tr>
<tr><td>We identified the recognition of revenue from construction contracts as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole.

As disclosed in note 5 to the consolidated financial statements, the Group has recognised revenue from construction contracts amounting to MOP630,234,000 for the year ended 31 December 2020. The Group recognises revenue from construction contracts by reference to the progress towards complete satisfaction of relevant performance obligation using output method.</td><td>In relation to the recognition of revenue from construction contracts, we performed the following procedures, on a sample basis:

• Obtaining an understanding of the control over recognition of revenue from construction contracts;

• Agreeing the contract sum and variation orders to respective signed contracts and the correspondence with customers;

• Discussing with the project managers to understand the status of completion of the relevant construction projects and the reasons for the change of budget contract value during the year;

• Challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales by inspecting the certificates issued by customers and comparing the progress with the budgeted timeline; and

• Evaluating the reasonableness of progress towards complete satisfaction of relevant performance obligation of construction contracts as at year end by obtaining the certificates issued by customers and performing site visits to the construction sites.</td></tr>
</table>

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables, trade-nature amounts due from related companies and contract assets	
We identified impairment assessment of trade receivables, trade-nature amounts due from related companies and contract assets as a key audit matter due to the significance of trade receivables, trade-nature amounts due from related companies and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables, trade-nature amounts due from related companies and contract assets at the end of the reporting period. At 31 December 2020, as set out in notes 16, 17 and 14 to the consolidated financial statements, the Group's net trade receivables, trade-nature amounts due from related companies and contract assets amounting to approximately MOP212,367,000, MOP20,506,000 and MOP77,369,000, which represented approximately 34.8%, 3.4% and 12.7% of total assets of the Group, respectively, and out of these trade receivables, trade-nature amounts due from related companies and contract assets of approximately MOP75,385,000, MOP10,167,000 and MOP2,789,000 were past due.	Our procedures in relation to the impairment assessment of trade receivables and contract assets included: • Testing the valuation and allocation of ECL: i. Perform inquiries of management about the entity's policy for calculating ECL and whether there have been any changes from the prior year; ii. Obtain the entity's calculation of ECL and reconcile to the general ledger; iii. Perform the retrospective analysis to update our risk assessment conclusion regarding appropriateness of the ECL policy; iv. Identify and obtain audit evidence to support the key assumptions underlying the estimate; and v. Test the mathematical accuracy of the calculations, and verify that the ECL has been calculated in accordance with the entity's policy.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables, trade-nature amounts due from related companies and contract assets	
As disclosed in note 24b to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables, trade-nature amounts due from related companies and contract assets based on internal credit ratings for their debtors and are assessed for ECL individually. The Group recognised an additional amount of approximately MOP469,000, MOP1,238,000 and nil of impairment of trade receivables, trade-nature amounts due from related companies and contract assets for the year. The Group's lifetime ECL on trade receivables, trade-nature amounts due from related companies and contract assets at 31 December 2020 amounted to approximately MOP3,066,000, MOP2,407,000 and MOP2,478,000.	• Evaluating the method of measurement, including any model consider: i. Whether the model is suitable for estimating the expected credit loss, this will include understanding the model methodology and logic which will be based on the review and understanding of model documentation; ii. Using a credit risk specialist to assist us in evaluating whether the modelling choices made by management are consistent with the requirements of IFRS 9 Financial Instruments, industry practice and commonly used modelling techniques; iii. Whether the model and how it is intended to be used are adequately documented, including the model's intended applications, known limitations, key parameters, required inputs, and description of any validation analysis performed; and iv. Review of the model's performance, comparing the model output to the actual default rates and incurred losses.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Revenue	5	**707,313**	498,945
Cost of services		**(619,926)**	(396,720)
Gross profit		**87,387**	102,225
Other income	6	**3,537**	5,818
Impairment losses under expected credit loss model, net of reversal	24b	**(1,707)**	(2,958)
Administrative expenses		**(33,060)**	(41,270)
Share of profit of associates		**801**	228
Profit before tax		**56,958**	64,043
Income tax expense	10	**(6,038)**	(7,711)
Profit and total comprehensive income for the year	7	**50,920**	56,332
Basic and diluted earnings per share (MOP cents)	11	**4.25**	4.70

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Non-current assets			
Property, plant and equipment	12	**50,995**	57,648
Interest in associates	13	**1,055**	254
		52,050	57,902
Current assets			
Contract assets	14	**77,369**	109,122
Debtors, deposits and prepayments	16	**225,850**	171,046
Amounts due from related companies	17	**22,840**	30,670
Pledged bank deposits	18	**57,138**	42,375
Fixed bank deposits	18	**22,683**	87,790
Bank balances and cash	18	**152,663**	135,919
		558,543	576,922
Current liabilities			
Amounts due to related companies	17	**2,785**	4,181
Creditors and accrued charges	19	**155,117**	136,142
Tax liabilities		**13,659**	29,094
Contract liabilities	15	**–**	2,472
		171,561	171,889
Net current assets		**386,982**	405,033
Net assets		**439,032**	462,935
Capital and reserves			
Share capital	20	**12,295**	12,340
Reserves		**426,737**	450,595
Total equity		**439,032**	462,935

The consolidated financial statements on pages 65 to 127 were approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019	12,360	428,654	1,457	45	(147,114)	155,747	451,149
Profit and total comprehensive income for the year	–	–	–	–	–	56,332	56,332
Shares repurchased and cancelled *(note 20)*	(20)	(2,569)	–	–	–	–	(2,589)
Dividend paid *(note 9)*	–	–	–	–	–	(41,957)	(41,957)
At 31 December 2019	**12,340**	**426,085**	**1,457**	**45**	**(147,114)**	**170,122**	**462,935**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**50,920**	**50,920**
Shares repurchased and cancelled *(note 20)*	**(54)**	**(8,669)**	**–**	**–**	**–**	**–**	**(8,723)**
Exercise of share options	**9**	**1,659**	**–**	**–**	**–**	**–**	**1,668**
Transaction costs attributable to exercise of share options	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**
Transfer to share premium upon exercise of share options	**–**	**677**	**(677)**	**–**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**(157)**	**–**	**–**	**157**	**–**
Dividend paid *(note 9)*	**–**	**–**	**–**	**–**	**–**	**(67,764)**	**(67,764)**
At 31 December 2020	**12,295**	**419,748**	**623**	**45**	**(147,114)**	**153,435**	**439,032**

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

Note b: 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 ("MECOM EHY") and MECOM Sun Hung Yip Limited ("MECOM Sun Hung Yip") 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 MOP'000	2019 MOP'000
OPERATING ACTIVITIES		
Profit before tax	56,958	64,043
Adjustments for:		
Depreciation of property, plant and equipment	6,819	8,506
Bank interest income	(2,632)	(4,966)
Share of profit of an associate	(801)	(228)
Loss on disposal of property, plant and equipment	28	3,017
Impairment losses under expected credit loss model, net of reversal	1,707	2,958
Operating cash flows before movements in working capital	62,079	73,330
Increase in debtors, deposits and prepayments	(55,064)	(15,921)
Decrease in amounts due from related companies	5,416	29,275
Decrease (increase) in contract assets	31,753	(81,388)
Increase in creditors and accrued charges	18,975	9,667
(Decrease) increase in contract liabilities	(2,472)	2,472
(Decrease) increase in amounts due to related companies	(1,587)	4,176
Cash generated from operations	59,100	21,611
Income tax paid	(21,473)	(8,465)
NET CASH FROM OPERATING ACTIVITIES	37,627	13,146
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(194)	(43,499)
Proceed on disposal of property, plant and equipment	–	24
Advances to related companies	–	(1,107)
Repayments from related companies	1,176	438
Placement of pledged bank deposits	(20,023)	(74,587)
Withdrawal of pledged bank deposits	5,260	54,861
Interest received	2,423	3,931
Placement of fixed bank deposits	(39,258)	(224,045)
Withdrawal of fixed bank deposits	104,365	351,113
NET CASH FROM INVESTING ACTIVITIES	53,749	67,129
FINANCING ACTIVITIES		
Advances from related companies	191	–
Repayment to related companies	–	(124)
Dividend paid	(67,764)	(41,957)
Proceeds from exercise of share options	1,668	–
Transaction costs attributable to exercise of share options	(4)	–
Payment on repurchase and cancellation of shares	(8,723)	(2,589)
NET CASH USED IN FINANCING ACTIVITIES	(74,632)	(44,670)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,744	35,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	135,919	100,314
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	152,663	135,919

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL

MECOM Power and Construction Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is MECOM Holding Limited. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Units Q, R and S, 6/F, Praca Kin Heng Long-Heng Hoi Kuok, Kin Fu Kuok, No. 258 Alameda Dr. Carlos D'Assumpcao, Macau.

The Company is an investment holding company. The Company's subsidiaries (together with the Company referred to as the "Group") are principally engaged in provision of construction services, including (i) construction and fitting out works; (ii) high voltage power substation construction and its system installation works; (iii) electrical and mechanical ("E&M") engineering services work; and (iv) provision of facilities management services.

The consolidated financial statements are presented in Macanese Pataca ("MOP") which is also the functional currency of the Company.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no material impact on the condensed consolidated financial statements of the Group.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investment in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

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 or 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 or 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 services.

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 (i.e. retention money). It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* ("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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

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.

Variable consideration

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 the most likely amount, which 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group 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 or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to the fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to directors of the Company and employees of the Group

Equity-settled share-based payments to directors of the Company and employees of the Group are measured at the fair value of the equity instruments at the grant date.

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 based on assessment of all relevant non-market vesting conditions. 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 the share options reserve. For share options that vest immediately at date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Retirement benefits costs

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

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables (including trade-nature amounts due from related companies) arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related companies, pledged bank deposits, fixed bank deposits and bank balances) and contract assets which are subject to impairment assessment under IFRS 9. 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, trade-nature amounts due from related companies and contract assets. The financial assets are assessed for ECL individually.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(i) 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.

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;
- 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; or
- 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Provision of ECL for trade receivables, trade-nature amounts due from related companies and contract assets

The Group accesses ECL for all trade receivables, trade-nature amounts due from related companies and contract assets individually. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, trade-nature amounts due from related companies and contract assets are disclosed in notes 24b, 16, 17 and 14, respectively.

5. 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, (3) electrical and mechanical ("E&M") engineering services works, and (4) facilities management services.

During the current year, the Group has diversified its construction business to include E&M engineering services works. E&M engineering services works generally involve a combination of the supply and/or installation of (i) low voltage ("LV") system works; (ii) heating, ventilation and air-conditioning ("HVAC") systems works; and (iii) extra low voltage ("ELV") systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. LV systems works include the supply and installation of cables, earthing, lighting systems, power cables, electrical wiring, switchboards, power outlets and other related electrical equipment that relates to the power supply and distribution within a building. HVAC systems works include the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems for buildings, as well as the supply and installation of related pipes, ducts, air-conditioning units, ventilation fans and other related equipment. ELV systems works include the procurement and installation of telephones, closed-circuit television (used for security video surveillance purposes) and any other systems within a building that require a transmission signal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 prepared based on same accounting policies set out in note 3.2. 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.

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

(i) Disaggregation of revenue from contracts with customers

	2020 MOP'000	2019 MOP'000
Revenue from construction contracts		
Construction and fitting out works	**465,360**	367,587
High voltage power substation construction and its system installation works	**12,098**	39,235
E&M engineering services works	**152,776**	–
	630,234	406,822
Provision of service income		
Facilities management services	**77,079**	92,123
	707,313	498,945
Timing of revenue recognition		
Over time	**707,313**	498,945

(ii) Performance obligations for contracts with customers

Construction contracts

The Group provides services on (1) construction and fitting out works; (2) high voltage power substation construction and its system installation works to customers; and (3) E&M engineering services. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction contracts by reference to the progress towards complete satisfaction of relevant performance obligation using output method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Construction contracts (Continued)

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction contracts are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Facilities management services

The Group's facilities management services 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) and high voltage power substations and relevant systems.

The Group provides such services as a fixed-price contract, with contract terms generally ranging from less than one year to five 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 Consolidated Financial Statements

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2020

	Construction and fitting out works MOP'000	High voltage power substation construction and its system installation works MOP'000	E&M engineering services MOP'000	Facilities management services MOP'000
Within one year	484,632	29,506	110,573	90,242
More than one year but not more than two years	292,105	74,958	63,776	59,169
More than two year	–	45,914	–	26,789
	776,737	150,378	174,349	176,200

At 31 December 2019

	Construction and fitting out works MOP'000	High voltage power substation construction and its system installation works MOP'000	E&M engineering services MOP'000	Facilities management services MOP'000
Within one year	342,412	59,724	62,938	59,829
More than one year but not more than two years	44,400	54,514	–	26,498
More than two year	–	–	–	51,133
	386,812	114,238	62,938	137,460

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) 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.

(v) Information about major customers

Revenue from customers in respect construction contracts and provision of service income contributing over 10% of the total revenue of the Group is as follows:

	2020 MOP'000	2019 MOP'000
Customer A	**212,748**	141,412
Customer B	**189,895**	134,884

6. OTHER INCOME

	2020 MOP'000	2019 MOP'000
Bank interest income	**2,632**	4,966
Government grants *(note)*	**656**	–
Others	**249**	852
	3,537	5,818

Note: During the current year, the Group recognised government grants of MOP600,000 and Hong Kong dollars ("HK$") 54,000 (equivalent to MOP56,000) in respect of Covid-19 related Subsidy for Business and Employment Support Scheme provided by the Macau government and Hong Kong government respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

7. PROFIT FOR THE YEAR

	2020 MOP'000	2019 MOP'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 8)*	**8,871**	8,898
Other staff costs:		
Salaries and other allowances	**82,408**	80,466
Retirement benefit scheme contributions	**825**	727
Total staff costs	**92,104**	90,091
Less: amounts included in cost of services	**(71,413)**	(69,699)
	20,691	20,392
Auditor's remuneration	**2,318**	2,240
Depreciation of property, plant and equipment	**6,819**	8,506
Loss on disposal of property, plant and equipment	**28**	3,017
Legal and professional fees	**2,836**	2,589
Expense relating to short-term leases	**10,901**	5,381

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2020

	Fee MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Share-based compensation expenses MOP'000	Total MOP'000
Executive directors *(note 1)*:					
Mr. Kuok Lam Sek ("Mr. Kuok")	–	4,200	1	–	4,201
Mr. Sou Kun Tou ("Mr. Sou")	–	4,200	1	–	4,201
	–	8,400	2	–	8,402
Independent non-executive directors *(note 2)*:					
Ms. Chan Po Yi, Pasty	161	–	–	–	161
Mr. Cheung Kiu Cho, Vincent	161	–	–	–	161
Mr. Lio Weng Tong *(note 3)*	147	–	–	–	147
	469	–	–	–	469
	469	8,400	2	–	8,871

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors *(Continued)*

Year ended 31 December 2019

	Fee MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Share-based compensation expenses MOP'000	Total MOP'000
Executive directors *(note 1)*:					
Mr. Kuok	–	4,200	1	–	4,201
Mr. Sou	–	4,200	1	–	4,201
	–	8,400	2	–	8,402
Independent non-executive directors *(note 2)*:					
Ms. Chan Po Yi, Pasty	161	–	–	–	161
Mr. Cheung Kiu Cho, Vincent	161	–	–	–	161
Dr. Ngan Matthew Man Wong *(note 3)*	161	–	–	–	161
Mr. Lio Weng Tong *(note 3)*	13	–	–	–	13
	496	–	–	–	496
	496	8,400	2	–	8,898

Notes:

(1) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Sou serves as the Chief Executive Officer of the Group.

(2) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(3) Dr. Ngan Matthew Man Wong has resigned as an independent non-executive director and has ceased to act as chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company and Mr. Lio Weng Tong has been appointed as an independent non-executive director, the chairmen of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company with effect from 13 December 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid employees of the Group during the year included two directors (2019: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 MOP'000	2019 MOP'000
Salaries and other allowances	**6,407**	6,709
Discretionary bonus *(note)*	**–**	400
Retirement benefit scheme contributions	**4**	2
	6,411	7,111

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

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

	2020 Number of employees	2019 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**2**	3

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. DIVIDENDS

	2020 MOP'000	2019 MOP'000
2020 Interim – HK1.0 cent (equivalent to MOP1.03 cents) per share (2019: Nil)	**12,321**	–
2019 Final – HK4.5 cents (equivalent to MOP4.64 cents) (2019: 2018 Final – HK3.4 cents (equivalent to MOP3.5 cents)) per share	**55,443**	41,957
	67,764	41,957

Subsequent to the end of the reporting period, the board of directors (the "Board") has recommended a final dividend of HK3.0 cents (2019: HK4.5 cents) per share, totalling HK$35,809,000 (2019: HK$53,829,000), for the year ended 31 December 2020, to the shareholders of the Company (the "Shareholders"). The payment of the final dividend is subject to the Shareholders' approval at the forthcoming annual general meeting (the "AGM") of the Company.

The Board has also recommended a bonus issue of shares on the basis of one new share with a par value of HK$0.01 each of the Company ("Shares", each a "Share") credited as fully paid for every two existing Shares held by the Shareholders, subject to the Shareholders' approval at the AGM.

10. INCOME TAX EXPENSE

	2020 MOP'000	2019 MOP'000
Current tax		
– Macau Complementary Tax	**8,166**	9,115
Overprovision in prior years	**(2,128)**	(1,404)
	6,038	7,711

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 both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10. INCOME TAX EXPENSE *(Continued)*

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

	2020 **MOP'000**	2019 MOP'000
Profit before tax	**56,958**	64,043
Tax charge at Macau Complementary Tax rate of 12%	**6,835**	7,685
Tax effect of expenses not deductible for tax purpose	**1,675**	1,574
Tax effect of income not taxable for tax purpose	**(272)**	–
Overprovision in prior years	**(2,128)**	(1,404)
Special complementary tax incentive	**(72)**	(144)
Income tax expense for the year	**6,038**	7,711

11. EARNINGS PER SHARE

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

	2020 **MOP'000**	2019 MOP'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**50,920**	56,332
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,196,904**	1,198,812

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options (note 21) because the exercise price of those options is higher than the average market price for shares for both 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles MOP'000	Plant and machinery MOP'000	Office equipment MOP'000	Computer equipment MOP'000	Leasehold land and building MOP'000	Total MOP'000
COST						
At 1 January 2019	3,815	28,306	207	476	–	32,804
Additions	–	8,162	–	691	42,891	51,744
Disposals	(1,011)	(3,000)	–	(26)	–	(4,037)
At 31 December 2019	2,804	33,468	207	1,141	42,891	80,511
Additions	–	74	13	107	–	194
Disposals	–	(12)	(60)	(41)	–	(113)
At 31 December 2020	2,804	33,530	160	1,207	42,891	80,592
DEPRECIATION						
At 1 January 2019	2,054	13,022	109	168	–	15,353
Provided for the year	657	6,807	32	152	858	8,506
Eliminated upon disposals	(473)	(500)	–	(23)	–	(996)
At 31 December 2019	2,238	19,329	141	297	858	22,863
Provided for the year	319	5,460	25	157	858	6,819
Eliminated upon disposals	–	(1)	(49)	(35)	–	(85)
At 31 December 2020	2,557	24,788	117	419	1,716	29,597
CARRYING VALUES						
At 31 December 2020	247	8,742	43	788	41,175	50,995
At 31 December 2019	566	14,139	66	844	42,033	57,648

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

Motor vehicles	20%
Plant and machinery	20% – $33^{1}/_{3}$%
Office equipment	20%
Computer equipment	20%
Leasehold land and building	2%

The leasehold land and building is located in Macau under long-term lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13. INTEREST IN ASSOCIATES

	2020 MOP'000	2019 MOP'000
Cost of unlisted investment in an associate	**–**	–
Share of post-acquisition profits and other comprehensive income	**1,055**	254
	1,055	254

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principle activity
			2020	2019	**2020**	2019	
China Construction (Macau) – EHY Joint Venture ("CCM – EHY JV")	Macau	Macau	**25%**	25%	**25%**	25%	Construction works and civil engineering
China State Construction (Hong Kong) – China Construction (Macau) – EHY Joint Venture ("CSHK – CCM – EHY JV")	Macau	Macau	**25%**	–	**25%**	–	Construction works and civil engineering

Summarised financial information of the associates

Summarised financial information in respect of CCM – EHY JV and CSHK – CCM – EHY JV are set out below. The summarised financial information below represents amount shown in the associates' financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

CCM – EHY JV

	2020 MOP'000	2019 MOP'000
Current and total assets	**22,536**	36,533
Current and total liabilities	**(20,476)**	(35,516)
Revenue	**190,938**	135,795
Profit for the year	**1,042**	913

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13. INTEREST IN ASSOCIATES *(Continued)*

CCM – EHY JV *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2020 MOP'000	2019 MOP'000
Net assets of CCM – EHY JV	2,060	1,017
Proportion of the Group's ownership interest in CCM – EHY JV	25%	25%
The Group's share of net assets of CCM – EHY JV and carrying amount of Group's interest in CCM – EHY JV	515	254

CSHK – CCM – EHY JV

	2020 MOP'000	2019 MOP'000
Current and total assets	739,152	–
Current and total liabilities	(736,994)	–
Revenue	657,137	–
Profit for the year	2,158	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2020 MOP'000	2019 MOP'000
Net assets of CSHK – CCM – EHY JV	2,158	–
Proportion of the Group's ownership interest in CSHK – CCM – EHY JV	25%	–
The Group's share of net assets of CSHK – CCM – EHY JV and carrying amount of Group's interest in CSHK – CCM – EHY JV	540	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. CONTRACT ASSETS

	2020 MOP'000	2019 MOP'000
Contract assets from contract with customers	79,847	111,600
Less: Allowance for credit losses *(Note 24b)*	(2,478)	(2,478)
	77,369	109,122

	2020 MOP'000	2019 MOP'000
Represented by:		
Construction and fitting out works	61,578	104,774
High voltage power substation construction and its system installation works	2,519	4,348
Facilities management services	539	–
E&M engineering services works	12,733	–
	77,369	109,122

	2020 MOP'000	2019 MOP'000
Analysed as current		
Unbilled revenue	16,501	71,179
Retention receivables	60,868	37,943
	77,369	109,122

At 1 January 2019, contract assets amounted to MOP29,863,000.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. CONTRACT ASSETS *(continued)*

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits and typically net offs the deposits with first payments. Unbilled revenue included in contract assets represents the Group's rights to receive consideration for works completed but not yet billed because the exercise of such rights is conditional upon customers' satisfaction on the contract work completed by the Group, customers' or external surveyors' issuance of certification on the works or the payment milestones being met. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains certification of the completed contract works from customers or external surveyors or meets payment milestones.

The Group also typically agrees to a retention period ranging from one year to two years for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on satisfying the defect liability period of individual contracts. The Group typically reclassifies contract asset to trade receivables when defect liability period expires.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

At 31 December 2020, retention money held by customers for contract works amounted to MOP60,868,000 (2019: MOP37,943,000), of which MOP11,425,000 (2019: MOP6,890,000) 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 one year to two 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.

	2020 **MOP'000**	2019 MOP'000
Within one year	**11,685**	7,270
After one year	**49,183**	30,673
	60,868	37,943

At 31 December 2020, included in the Group's contract assets are retention money with a carrying amount of MOP2,789,000 (2019: MOP5,272,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

Details of the impairment assessment of contract assets are set out in note 24b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. CONTRACT LIABILITIES

	2020 MOP'000	2019 MOP'000
Advances from customers	–	2,472

There was no contract liabilities at 1 January 2019.

Contract liabilities which are expected to be settled within the Group's normal operating cycle are classified as current.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Construction contracts MOP'000
For the year ended 31 December 2020	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**2,472**
For the year ended 31 December 2019	
Revenue recognised that was included in the contract liability balance at the beginning of the year	–

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Construction contracts

When the Group receives upfront payments or cash advances before construction activities commence, contract liabilities will arise at the start of the relevant contracts, until the revenue recognised on such relevant contracts exceeds the amount of the cash advances.

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For the year ended 31 December 2020

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 MOP'000	2019 MOP'000
Trade receivables from contracts with customers	215,433	141,390
Less: allowance for credit losses *(note 24b)*	(3,066)	(2,597)
	212,367	138,793
Other debtors, deposits and prepayments		
– Deposits	1,214	1,216
– Prepayments	6,986	27,398
– Others	5,283	3,639
	225,850	171,046

At 1 January 2019, trade receivables from contracts with customers amounted to MOP148,149,000.

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

	2020 MOP'000	2019 MOP'000
0 – 90 days	204,423	126,971
91 – 365 days	6,296	6,332
1 – 2 years	377	5,326
Over 2 years	1,271	164
	212,367	138,793

At 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of MOP75,385,000 (2019: MOP26,367,000) which are past due as at the reporting date. Out of the past due balances, MOP4,386,000 (2019: MOP8,204,000) 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.

Details of impairment assessment of trade and other receivables are set out in note 24b.

Notes to the Consolidated Financial Statements

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17. AMOUNTS WITH RELATED COMPANIES

			Maximum amount outstanding during	
	2020 MOP'000	2019 MOP'000	**2020 MOP'000**	2019 MOP'000
Amounts due from related companies				
Non-trade nature				
Lei Hong Engineering Limited *(note 22a)*	**–**	400	**400**	455
ACEL Engineering Company Limited *(note 22a)*	**2,334**	3,109	**3,109**	3,492
	2,334	3,509		
Trade nature				
CCM – EHY JV *(note 22b)*	**11,843**	28,330		
CSHK – CCM – EHY JV *(note 22e)*	**11,070**	–		
	22,913	28,330		
Less: allowance for credit losses *(note 24b)*	**(2,407)**	(1,169)		
	20,506	27,161		
	22,840	30,670		

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 receivables), presented based on invoice date at the end of the reporting period.

	2020 MOP'000	2019 MOP'000
0 – 90 days	**20,506**	27,161

At 31 December 2020, included in the Group's amounts due from related companies (trade receivables) are receivables with a carrying amount of MOP10,167,000 (2019: nil) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade-nature amounts due from related companies are set out in note 24b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17. AMOUNTS WITH RELATED COMPANIES *(Continued)*

	2020 MOP'000	2019 MOP'000
Amounts due to related companies		
Non-trade nature		
Lei Hong Engineering Limited *(note 22a)*	**191**	–
Trade nature		
CSHK – CCM – EHY JV *(note 22e)*	**328**	–
Zhuhai City Chang Tsuo Steel Structure Co., Ltd *(note 22d)*	**2,266**	4,181
	2,594	4,181
	2,785	4,181

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

	2020 MOP'000	2019 MOP'000
Within 90 days	**2,594**	4,181

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

Notes to the Consolidated Financial Statements

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

	2020 **MOP'000**	2019 MOP'000
Pledged bank deposits	**57,138**	42,375
Fixed bank deposits	**22,683**	87,790
Bank balances and cash	**152,663**	135,919

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. At 31 December 2020, the pledged bank deposits carried interest rate range of 0.525% – 1.7% (2019: 2.0% – 2.2%) per annum and with an original maturity of three months to six months.

At 31 December 2020, the fixed bank deposits carried interest rate of 1.6% (2019: 2.55% – 2.7%) per annum and with an original maturity of three months to six months and bank balances carry interest at prevailing market rates of 0.01% (2019: 0.01%) per annum.

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

	2020 **MOP'000**	2019 MOP'000
HK$	**137,322**	207,595

Details of impairment assessment of pledged bank deposits, fixed bank deposits and bank balances are set out in note 24b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. CREDITORS AND ACCRUED CHARGES

	2020 MOP'000	2019 MOP'000
Trade payables	**44,228**	34,221
Retention payables	**13,622**	6,149
Other creditors and accrued charges		
– Accrued staff costs	**9,877**	14,376
– Accrued construction costs	**70,558**	77,654
– Other accruals	**16,832**	3,742
	155,117	136,142

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:

	2020 MOP'000	2019 MOP'000
0 – 90 days	**39,372**	34,221
91 – 365 days	**4,856**	–
	44,228	34,221

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

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

	2020 MOP'000	2019 MOP'000
On demand or within one year	**477**	2,204
After one year	**13,145**	3,945
	13,622	6,149

Notes to the Consolidated Financial Statements

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20. SHARE CAPITAL

	Number of shares	Amount MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000	51,500

	Number of shares	Amount MOP'000
Issued and fully paid:		
At 1 January 2019	1,200,000,000	12,360
Shares repurchased and cancelled *(note a)*	(1,918,000)	(20)
At 31 December 2019	1,198,082,000	12,340
Shares repurchased and cancelled *(note b)*	(5,340,000)	(54)
Exercise of share options	900,000	9
At 31 December 2020	**1,193,642,000**	**12,295**

Notes:

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

(b) The Company repurchased 600,000, 1,290,000, 2,550,000, 700,000 and 200,000 shares of the Company in January, April, September, October and December 2020 for an aggregate consideration paid of approximately HK$803,000 (equivalent to MOP827,000), HK$1,651,000 (equivalent to MOP1,700,000), HK$4,133,000 (equivalent to MOP4,256,000), HK$1,410,000 (equivalent to MOP1,452,000) and HK$474,000 (equivalent to MOP488,000) and cancelled those shares in May and December 2020 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

20. SHARE CAPITAL *(Continued)*

During the current year, the Company repurchased its own ordinary shares through The Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
January 2020	**600,000**	**1.37**	**1.29**	**803**
April 2020	**1,290,000**	**1.36**	**1.23**	**1,651**
September 2020	**2,550,000**	**1.63**	**1.57**	**4,133**
October 2020	**700,000**	**2.05**	**1.95**	**1,410**
December 2020	**200,000**	**2.37**	**2.36**	**474**

During the year ended 31 December 2019, the Company repurchased its own ordinary shares through The Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
April 2019	1,918,000	1.50	1.18	2,513

The above ordinary shares were cancelled following repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

21. 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, shall remain in force for 10 years from that date. As at the date of this report, the remaining life of the Share Option Scheme is approximately 6 years and 10 months.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Share Option Scheme during the year:

			Number of the Options					
Type of participant	Exercisable period	Exercise price per share HK$	Outstanding at 1/1/2020	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at 31/12/2020
Directors	03/04/2018 - 02/04/2028	1.8	150,000	–	(50,000)	–	(50,000)	50,000
Employee	03/04/2018 - 02/04/2028	1.8	62,500	–	–	–	–	62,500
Consultant	03/04/2018 - 02/04/2028	1.8	262,500	–	(250,000)	–	–	12,500
Directors	03/04/2019 - 02/04/2028	1.8	150,000	–	(50,000)	–	(50,000)	50,000
Employee	03/04/2019 - 02/04/2028	1.8	62,500	–	–	–	–	62,500
Consultant	03/04/2019 - 02/04/2028	1.8	262,500	–	(250,000)	–	–	12,500
Directors	03/04/2020 - 02/04/2028	1.8	150,000	–	(50,000)	–	(50,000)	50,000
Employee	03/04/2020 - 02/04/2028	1.8	62,500	–	–	–	–	62,500
Consultant	03/04/2020 - 02/04/2028	1.8	262,500	–	(250,000)	–	–	12,500
Directors	03/04/2021 - 02/04/2028	1.8	150,000	–	–	–	(50,000)	100,000
Employee	03/04/2021 - 02/04/2028	1.8	62,500	–	–	–	–	62,500
Consultant	03/04/2021 - 02/04/2028	1.8	262,500	–	–	–	–	262,500
			1,900,000	–	(900,000)	–	(200,000)	800,000
Weighted average exercise price per share			HK$1.8	–	HK$1.8	–	HK$1.8	HK$1.8

The weighted average closing prices of the Company's shares immediately before the date on which the share options were exercised was HK$3.65.

No movement on the Share Option Scheme was noted during 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 (i.e. 120,000,000 shares) 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 each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

No share-based compensation expenses was recognised for the year ended 31 December 2020 and 2019.

22. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	2020 MOP'000	2019 MOP'000
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Office rental expenses	**686**	660
	Premise rental expenses	**198**	198
Melco Resorts & Entertainment Limited and its subsidiaries *(note a)*	Construction contract income	**–**	46,109
	Service income	**–**	68,328
Zhuhai City Chang Tsuo Steel Structure Co., Ltd *(note b)*	Purchase of raw materials	**8,655**	4,990
CCM – EHY JV *(note c)*	Construction contract income	**189,895**	134,884
CSHK – CCM – EHY JV *(note c)*	Construction contract income	**43,068**	–
	Management fee	**466**	–
Black Spade Capital Limited (note a)	Consultancy fee expenses	**–**	1,360

Notes:

(a) Mr. Ho Lawrence Yau Lung ("Mr. Ho"), previously a shareholder of the Company, has beneficial interest over the related companies. Mr. Ho sold all the shares of the Company and ceased to be a shareholder of the Company with effect from 10 December 2019.

(b) Mr. Deng Jia Jun, an interest holder of a shareholder of the Company since 10 December 2019, has beneficial interests over the related company.

(c) CCM – EHY JV and CSHK – CCM – EHY JV are associates of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The directors of the Company and senior management of the Group are identified as key management members of the Group. Their short-term benefits and post-employment benefits for the year ended 31 December 2020 are MOP14,084,000 (2019: MOP14,179,000) and MOP21,000 (2019: MOP21,000). No share-based compensation expenses for the year end 31 December 2020 (2019: nil).

23. CAPITAL RISK MANAGEMENT

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

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

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

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	2020 MOP'000	2019 MOP'000
Financial assets		
Amortised cost	**474,188**	440,402
Financial liabilities		
Amortised cost	**60,635**	44,551

24b. Financial risk management objectives and policies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currency. The Group is exposed to currency risk primarily through sales proceeds received from customers that are denominated in currencies other than the group entities' functional currency. The currency giving rise to this risk is primarily HK$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in HK$, and HK$ is pegged with MOP.

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

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

	Assets		Liabilities	
	2020 MOP'000	2019 MOP'000	**2020 MOP'000**	2019 MOP'000
HK$	**249,297**	257,062	**13,570**	19,853

Sensitivity analysis

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

Interest rate risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, trade-nature amounts due from related parties and contract assets arising from contracts with customers

At 31 December 2020, the Group has concentration risk on trade receivables, trade-nature amounts due from related companies and contract assets from the Group's top five customers of 49% (2019: 55%). The major customers of the Group are certain reputable organizations and the management of the Group considered that the credit risk is insignificant after considering their historical settlement and credit quality.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model upon application of IFRS 9 on other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on other receivables and non-trade nature amounts due from related companies is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change from the 12 months after the reporting date.

The credit risk on fixed bank deposits, pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances.

The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount MOP'000	2019 Gross carrying amount MOP'000
Contract assets	14	N/A	Note	Lifetime ECL (not credit-impaired)	79,847	111,600
Trade receivables	16	N/A	Note	Lifetime ECL (not credit-impaired)	215,433	141,390
Amounts due from related companies (trade-nature)	17	N/A	Note	Lifetime ECL (not credit-impaired)	22,913	28,330
Other receivables	16	N/A	Low risk	12m ECL	6,497	4,855
Amounts due from related companies (non-trade nature)	17	N/A	Low risk	12m ECL	2,334	3,509
Bank balances and cash, fixed deposits and pledged deposits	18	Baa3 to Aaa	N/A	12m ECL	232,484	266,084

Note: For trade receivables, trade-nature amounts due from related companies and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected loss individually for each debtor.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk and ECL for trade receivables, trade-nature amounts due from related companies, and contract assets which are assessed individually at 31 December 2020.

	2020				2019			
Internal credit rating	Average loss rate	Trade receivables MOP'000	Trade-nature amounts due from related companies MOP'000	Contract assets MOP'000	Average loss rate	Trade receivables MOP'000	Trade-nature amounts due from related companies MOP'000	Contract assets MOP'000
Low risk	0.54%	88,052	–	33,175	0.67%	59,115	–	55,583
Watch list	1.77%	104,717	–	28,048	2.44%	68,212	–	13,143
Doubtful	7.70%	22,664	22,913	18,624	4.09%	14,063	28,330	42,874
		215,433	22,913	79,847		141,390	28,330	111,600

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the Group provided MOP1,707,000 (2019: MOP2,958,000) for impairment allowances for trade receivables, trade-nature amounts due from related companies and contract assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, trade-nature amounts due from related companies and contract assets under the simplified approach.

	Trade receivables MOP'000	Trade-nature amounts due from related companies MOP'000	Contract assets MOP'000	Lifetime ECL (not credit-impaired) MOP'000
At 1 January 2019	2,294	643	349	3,286
Impairment losses, net of reversal	303	526	2,129	2,958
At 1 January 2020	2,597	1,169	2,478	6,244
Impairment losses, net of reversal	469	1,238	–	1,707
At 31 December 2020	**3,066**	**2,407**	**2,478**	**7,951**

Changes in the loss allowance for trade receivables are mainly due to:

	2020 Increase in lifetime ECL (not credit-impaired) MOP'000	2019 Increase in lifetime ECL (not credit-impaired) MOP'000
New trade receivables with gross carrying amount of MOP215,433,000 (2019: MOP141,390,000)	**469**	303

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. FINANCIAL INSTRUMENTS *(Continued)*

24b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

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

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	After 1 year MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2020					
Non-derivative financial liabilities					
Creditors	–	44,705	13,145	57,850	57,850
Amounts due to related companies	–	2,785	–	2,785	2,785
		47,490	13,145	60,635	60,635

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	After 1 year MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2019					
Non-derivative financial liabilities					
Creditors	–	36,425	3,945	40,370	40,370
Amounts due to related companies	–	4,181	–	4,181	4,181
		40,606	3,945	44,551	44,551

24c. Fair value measurements of financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

25. 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 18), 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:

	2020 MOP'000	2019 MOP'000
Issued to the Group by banks	**141,603**	196,965

At 31 December 2020, the Group has obtained total credit facilities of MOP509,000,000 (2019: MOP509,000,000) for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP57,138,000 (2019: MOP42,375,000); (ii) the promissory notes of approximately MOP590,800,000 (2019: MOP590,800,000); and (iii) corporate guarantee provided by the Company.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related companies MOP'000	**Dividend payable** MOP'000	**Total** MOP'000
At 1 January 2019	124	–	124
Financing cash flows *(note)*	(124)	(41,957)	(42,081)
Dividend declared	–	41,957	41,957
At 31 December 2019	–	–	–
Financing cash flows *(note)*	191	(67,764)	(67,573)
Dividend declared	–	67,764	67,764
At 31 December 2020	**191**	**–**	**191**

Note: The cash flows make up the net amount of advances from and repayment to related companies and dividend paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 MOP'000	2019 MOP'000
Non-current asset		
Investments in subsidiaries	**147,204**	147,204
Current assets		
Other receivables *(note 2)*	**4,427**	2,811
Amounts due from subsidiaries *(notes 1 and 2)*	**283,908**	291,025
Bank balances and cash *(note 2)*	**2,726**	2,154
	291,061	295,990
Current liability		
Accrued charges	**2,351**	2,467
Net current assets	**288,710**	293,523
Net assets	**435,914**	440,727
Capital and reserves		
Share capital	**12,295**	12,340
Reserves	**423,619**	428,387
Total equity	**435,914**	440,727

Notes:

(1) The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. The directors of the Company expect these amounts will be received within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.

(2) ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Movement on the Company's reserves

	Share premium MOP'000	Share options reserve MOP'000	Retained earnings MOP'000	Total MOP'000
At 1 January 2019	428,654	1,457	963	431,074
Profit and total comprehensive income for the year	–	–	41,839	41,839
Share repurchase and cancelled	(2,569)	–	–	(2,569)
Dividend paid	–	–	(41,957)	(41,957)
At 31 December 2019	426,085	1,457	845	428,387
Profit and total comprehensive income for the year	–	–	70,010	70,010
Share repurchase and cancelled	(8,669)	–	–	(8,669)
Exercise of share options	1,659	–	–	1,659
Transaction costs attributable to exercise of share options	(4)	–	–	(4)
Transfer to share premium upon exercise of share options	677	(677)	–	–
Lapse of share options	–	(157)	157	–
Dividend paid	–	–	(67,764)	(67,764)
At 31 December 2020	**419,748**	**623**	**3,248**	**423,619**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

28. INVESTMENTS IN AND PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of operation	Place and the date of incorporation/ establishment	Issued and fully paid	Equity interest attributable to the Company as at 31 December 2020	Equity interest attributable to the Company as at 31 December 2019	Principal activities
Directly held:						
MECOM EHY	BVI	British Virgin Islands 10 May 2017	HK$1	100%	100%	Investment holding
MECOM Hung Yip Limited	BVI	British Virgin Islands 10 May 2017	HK$1	100%	100%	Investment holding
MECOM Sun Hung Yip	BVI	British Virgin Islands 10 May 2017	HK$1	100%	100%	Investment holding
Indirectly held:						
EHY	Macau	Macau 7 September 2010	MOP40,000	100%	100%	Provision of construction services and facilities management services
SHY	Macau	Macau 12 March 2008	MOP50,000	100%	100%	Provision of construction services
MU (Hong Kong) Limited	Hong Kong	Hong Kong 20 November 2020	HK$100	100%	–	Dormant
MUCHARGING (Macau) Limited	Macau	Macau 7 December 2020	MOP50,000	100%	–	Dormant

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

29. EVENT AFTER THE REPORTING PERIOD

On 9 February 2021, MECOM Hung Yip Limited, a subsidiary of the Company, entered into an equity transfer agreement with Moreira Dos Santos Gestão De Participações Sociais Lda., a company incorporated in Macau with limited liability, and Mr. Fernando Moreira Do Santos, Pedro Luís for the acquisition of 49% equity interest in Moreira Dos Santos Mobilidade Eléctrica Lda. ("MS E.Mobi"), a company incorporated in Macau with limited liability, at a cash consideration of MOP1,500,000. Details of the acquisition are set out in the Company's announcement dated 15 March 2021.

MS E.Mobi is conducting the electric vehicle ("EV") business and is an EV charging infrastructure distributor and consultant for EV charging network solutions.

Financial Summary

	Year ended 31 December				
	2020	2019	2018	2017	2016
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS					
Revenue	**707,313**	498,945	597,572	658,746	464,882
Profit before tax	**56,958**	64,043	64,345	86,668	82,918
Income tax expense	**(6,038)**	(7,711)	(9,331)	(8,474)	(14,917)
Profit and total comprehensive income for the year	**50,920**	56,332	55,014	78,194	68,001
Basic and diluted earnings per share (MOP cents)	**4.25**	4.70	4.70	8.15	7.08

	At 31 December				
	2020	2019	2018	2017	2016
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES					
Total assets	**610,593**	634,824	607,601	433,025	307,197
Total liabilities	**(171,561)**	(171,889)	(156,452)	(231,093)	(142,259)
Net assets	**439,032**	462,935	451,149	201,932	164,938
Total equity	**439,032**	462,935	451,149	201,932	164,938

Notes: The figures for the year ended 31 December 2016 have been extracted from the Company's prospectus dated 1 February 2018.