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

2023 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek *(Chairman)*
Mr. Sou Kun Tou *(Chief Executive Officer and Deputy Chairman)*

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
17/F, Far East Finance Centre
16 Harcourt Road
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, nº 555
Landmark, 13º andar
Sala No. 1308
Macau

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
China Guangfa Bank Co. Ltd, Macau Branch
Dah Sing Bank, Limited
Tai Fung Bank Limited

STOCK CODE

Shares

1183

Warrants

424

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 hereby present to you the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group", "we" or "our") for the year ended 31 December 2023 (the "Year" or "FY2023").

In 2023, the society gradually stepped out from the Coronavirus Disease 2019 ("COVID-19") challenges to its normality as evidenced by an overall economic upturn domestically in Macau and internationally, together with a progressive revival in consumer spending. Thanks to the strong support of the SAR government, Macau’s tourism and gaming industries experienced a rapid improvement in sentiment. Gross gaming revenue for 2023 well surpassed MOP180 billion, which was a more than three-fold increase compared to 2022 and beyond the expected target of the SAR government at MOP130 billion. As stipulated in the new gaming concession contracts signed between each of the six casino operators and the SAR government respectively at the end of 2022, in the event that the gross gaming revenue reaches MOP180 billion in any year within the first five years of the new concession period, the six casino operators are required to increase their total investment in non-gaming projects by an additional 20%. Accordingly, the six casino operators are expected to significantly expand their investments in renovating and modifying existing ancillary hardware facilities. Having possessed cutting-edge engineering techniques and extensive experience, the Group can better serve the casino operators by providing construction and maintenance services for top-notch gaming, recreational and resort facilities, thereby enhancing their competitiveness in international markets and creating mutual benefits.

In terms of the steel structures business, the Group achieved a leapfrog development in FY2023. The first phase construction of manufacturing facilities located at the manufacturing base in Gujing Town, Xinhui District, Jiangmen, Guangdong Province was substantially completed during the Year and commenced formal operations in January 2024, which allowed the expansion of the business scope of the Group’s steel structures business from sales to production and manufacturing, and realisation of the self-production and self-marketing business model. In view of the continued increase in domestic market share of the Group’s steel structures business in Macau, the Group plans to focus its efforts on entering into the Hong Kong and overseas markets in 2024, with an aim to increase the contribution of the steel structures business to the Group’s profitability through further business expansion using its own advantages.

In the Policy Address for the Fiscal Year 2024 (the "Policy Address"), the Macau SAR government indicated that addressing and improving the living conditions of local residents is one of the policy highlights for 2024. The SAR government will pursue the implementation of the housing ladder policy by expediting the construction of public housing units and Home-Ownership Scheme housing in New Urban Zone Area A. Meanwhile, the SAR government will plan and select appropriate lands as private housing sites for public tenders in a timely manner to cope with social developments. Besides, the SAR government will actively promote major public projects in 2024, including the steel deck installation work for the fourth Macao-Taipa cross-harbour bridge, the construction of road networks and common pipelines in New Urban Zone Area A, and the construction of different kinds of government buildings for the centralised management and operation of government departments and the reduced spending in leased private premises. To achieve energy conservation and emission reduction, the SAR government will adopt multiple measures to accelerate the popularity of electric vehicles ("EV") and electric motorbikes in Macau and improve charging equipment and infrastructural facilities, and strive to reach 100% new registration of zero-emission lightweight cars and motorbikes by 2035. The development plan and strategy under the Policy Address coincide with the Group’s robust development roadmap, starting with infrastructure construction and electrical and mechanical ("E&M") engineering services businesses, then steel structures business, and further to EV business. In 2024, based on their respective business development and strengths, all companies under the Group will actively involve in public construction and carbon reduction projects from the SAR government as well as renovation and alteration projects from the six casino operators in continued conformity with the development directions of the SAR government and the casino operators, with a view to generating more lucrative revenue and profits for the Group’s construction and fitting out works, facilities management services and E&M engineering projects.

Chairman's Statement

As to the EV business, MUCharging (Macau) Limited ("MUCharging (Macau)"), a wholly-owned subsidiary of the Group, has reached consensuses with casinos and hotels of different sizes that it would introduce a charging tariff to installed charging systems by stages commencing from 2024 onwards and increase the number of new installations of charging systems as planned to echo the SAR government's promotion of and development direction for EVs. As EVs and electric motorbikes are increasingly popular, the Group has confidence that the revenue from charging systems will grow steadily in 2024 and this line of business will be able to balance the books in 2025 and achieve profitable operations in 2026.

The Group became a partner in developing new EV projects upon entering into a strategic business partnership with Wuling Motors Holdings Limited (五菱汽車集團控股有限公司) ("Wuling Motors") in 2023. Apart from being the exclusive distributor of Wuling Motors in Hong Kong and Macau for the sale and distribution of certain electric motorbikes and electric delivery vehicles, the Group extended its distribution territory farther to the Southeast Asia region. The related sales and EV launching activities will begin simultaneously in 2024. Owing to the increasing demand for EVs in Hong Kong, Macau and Southeast Asian countries, and taking into account the favourable prices, models and features of Wuling Motors' EVs, the Group believes that the EV distribution business will have substantial growth in 2024, which enables it to complement the charging systems business and usher the world into a new era of green transportation.

On behalf of the Board and management of the Group, I would like to express my heartfelt appreciation to all staff members for their diligence and dedication over the past year. I would also like to extend my sincere gratitude to our shareholders, investors, customers, suppliers and business associates for their support and assistance.

Kuok Lam Sek
Executive Director and Chairman
Hong Kong, 27 March 2024

Management Discussion & 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. The Group is also engaged in the provision of EV related services and the steel structures business which involves the sale and processing of new material steel structures.

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 constructional 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, and 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) low voltage ("LV") systems 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.

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.

EV business is a sustainable business opportunity which involves supplying EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

Through the steel structures business, the Group is also engaged in the supply of new material steel structures, such as reinforced bars, steel sheet piles, galvanized sheets and other steel materials, in various dimensions to the main contractors and/or construction companies for use in their construction projects, which enables it to cover the upstream industries of its principal construction business.

Management Discussion & Analysis

BUSINESS REVIEW

The Group's operation and business outlook has brightened in the wake of the reduced economic impacts of the COVID-19 pandemic on Macau and the Greater Bay Area as a whole in 2023, the orderly resumption of social and economic activities and the signing of new gaming concession contracts between each of the six casino operators and the SAR government in late 2022. Underpinned by the revival of social activities, the Group sped up the expansion of the steel structures business to meet the rapid development of the return to economic normality from COVID-19. During the Year, the Group's revenue increased by 11.5% to MOP1,496.4 million (FY2022: MOP1,341.9 million). Revenue from the steel structures business reached MOP1,030.4 million (FY2022: MOP616.1 million), which accounted for 68.9% (FY2022: 45.9%) of the Group's overall revenue.

However, due to the pandemic which left the gaming concession bidding undecided until November 2022, the Group's construction business was hindered in the second half of 2022 as evident from its limited number of new contract awards and the year-on-year reduction in the value of contracts on hand. This resulted in a contraction in revenue from the construction business and growth of the business during the Year. Although the gross margin of the steel structures business significantly increased to 10.0% (FY2022: 6.6%) during the Year, the overall gross margin decreased by 2.4 percentage points from 10.5% in FY2022 to 8.1% in FY2023. During the Year, the Group incurred additional selling and administrative expenses attributable to the rapid expansion of the steel structures and EV businesses. The Group also incurred interest expenses resulting from increased bank loans for the investment and construction project in respect of the manufacturing facilities in Jiangmen, Guangdong Province, the People's Republic of China (the "PRC"). Furthermore, the Group recognised an impairment loss for trade receivables of MOP25.0 million due to the failure of a customer to pay on the due date. Due to the combined effects of the above, the Group's net margin dropped by 6.4 percentage points from 6.8% in FY2022 to 0.4% in FY2023.

As at 31 December 2023, the Group's value of contracts on hand yet to complete in respect of construction and fitting out works and steel trading was MOP574.4 million (FY2022: MOP742.9 million) and MOP466.8 million (FY2022: MOP488.3 million), respectively.

Steel Structures Business

MECOM International New Materials Technology (Guangdong) Co., Ltd.* (澳能國際新材料科技(廣東)有限公司) ("MECOM International"), an indirect non-wholly owned subsidiary of the Company, substantially completed the investment and construction project in respect of the manufacturing facilities during the Year. Occupying a gross floor area of approximately 50,000 square metres, the manufacturing facilities commenced formal production in early 2024, which were mainly to fabricate and/or process structural steel components and new construction materials that are generally used in construction and fitting out works, and to set up and operate a research and manufacturing base for the development of new materials and equipment for other new energy businesses.

In April 2023, MECOM International entered into a cooperation agreement with the National Engineering Technology Research Centre for Prefabrication Construction in Civil Engineering of Tongji University* (同濟大學國家土建結構預制裝配化工程技術研究中心), pursuant to which the National Engineering Technology Research Centre for Prefabrication Construction in Civil Engineering – MECOM International Research Centre for Prefabricated Construction Technology* (國家土建結構預制裝配化工程技術研究中心－澳能國際裝配式建築技術研究中心) will be co-developed in the research and development building of the manufacturing facilities to enhance technological sophistication and uniqueness of the Group's products in the marketplace, thus improving the competitiveness and profitability of the steel structures business. MECOM International will join hands with major steel manufacturers in the PRC to develop new materials to meet the rapid growth in market demand for prefabricated construction materials, including the new development projects in the Northern Metropolis launched by the Hong Kong SAR Government, and the requirements for green and intelligent prefabricated construction technology, so as to quickly capture the growing new construction materials market with strong technological research and development.

Management Discussion & Analysis

In September 2023, MECOM International entered into a strategic cooperation agreement with Guangdong Zhongnan Iron & Steel Co., Ltd.* (廣東中南鋼鐵股份有限公司) ("Zhongnan Iron & Steel"), pursuant to which Zhongnan Iron & Steel will continue to increase its support to MECOM International's orders for projects in Hong Kong, Macau and overseas countries, and at the same time maximize its role as a large state-owned enterprise and join hands with MECOM International to explore the green construction markets in countries of the Belt and Road Initiative.

During the Year, MECOM International, Ao Gang Construction (Macau) Limited (澳港建設(澳門)有限公司) and Ao Gang Construction (Hong Kong) Limited (澳港建設(香港)有限公司) (collectively, "Ao Gang Construction"), which are indirect non-wholly owned subsidiaries of the Company, secured order contracts for the supply of a total of approximately 192,882 tons of reinforced bars, steel sheet piles, galvanized sheets and other steel materials in various dimensions. During the Year, MECOM International and Ao Gang Construction delivered a total of approximately 181,432 tons of steel materials which contributed MOP1,030.4 million to the Group's revenue, making the business the Group's main source of revenue. The commencement of production of the manufacturing facilities will expedite expansion of the Group's steel structures business, and enable the Group to meet the proliferating demand for steel structures materials in the Macau, Hong Kong and Southeast Asia markets in the coming years.

Construction Business

In 2022, the Group recorded the highest volume of construction activities and completed a number of large-scale projects in Macau which were put into commission in the second quarter of 2023. During the Year, the Group continued to maintain good relationships with its customers. It further expanded its business scope, which involves targeting at diverse clienteles and setting up establishments in Cyprus for the construction business.

During the Year, the Group was awarded a number of large-scale construction and fitting out works projects, E&M engineering projects and facilities management services projects, including, among others, (i) the structural, fitting out and peripheral works for an integrated resort in Cotai, (ii) the air conditioning and ventilation systems for the superstructure works under public housing units in Lot A1 of New Urban Zone Area A, (iii) the renovation work of the exterior of Sai Wan Bridge – Phase 1, (iv) the replacement of indoor light-emitting diode (LED) screens and outdoor LED walls for a casino near the Outer Harbour Ferry Terminal, and (v) the inspection and maintenance of the existing mechanical, electrical and plumbing (MEP) system for a hotel in the Cotai area. During the Year, the Group secured a renewed contract for the provision of operation and maintenance services for the facilities at the Government Data Centre of Macau for a term of one year and a new agreement for the provision of repair and maintenance services for the E&M systems at the Government Services Centre for a term of two years. The construction business in Cyprus commenced operation during the Year with the provision of operation and maintenance services for the energy centre and related equipment, and water features and swimming pools in an integrated casino resort for a term of three years. The aggregate contract value of the above new projects amounted to approximately MOP191.8 million.

During the Year, the Group's construction projects progressed satisfactorily. Revenue of approximately MOP112.8 million was derived from the provision of structural works for the main structure of the podium, tower and theatre, the provision of mechanical, ventilation and air-conditioning system works, and the provision of labour and accessories for electrical installation for a hotel complex in an integrated resort in Cotai, Macau.

The Group will work on an expansion of business scope and exploration of new lines of business in line with the government's policy directive and casino operators' project development plans, and will draw on the human resources currently available to enhance its cost effectiveness and competitive strengths.

Management Discussion & Analysis

EV Business

During the Year, MU (Guangdong) New Energy Vehicle Co., Ltd.* (自由充(廣東)新能源汽車有限公司) and MUCharging (Macau), both indirect wholly-owned subsidiaries of the Company, entered into contracts for undertaking EV charging projects in Wansheng Square Urban Complex* (萬升廣場城市綜合體) in Shanwei, Guangdong Province, the PRC, the three main casino hotels of the Venetian, Studio City Phase 2, Lisboeta Macau, Macau Roosevelt Hotel, Edf. Millionaire Garden (富豪花園), Edf. Greenville (茵景園) and several residential and commercial buildings, under which separate contracts are entered into with landlords and/or tenants of parking spaces for the provision of EV charging services. The Group has introduced a charging tariff for the installed charging systems in hotel premises under major casino operators such as City of Dreams, Altira, Studio City and Lisboeta since late 2023, and also for those in the three main casino hotels of the Venetian since early 2024. The optimisation of the charging business and the introduction of charging tariff will contribute to the revenue diversification of the Group's EV business.

MUCharging (Macau) (as distributor) entered into a distributorship agreement with Liuzhou Wuling Automobile Industry Co., Ltd.* (柳州五菱汽車工業有限公司) ("Wuling Industry", a subsidiary of Wuling Motors (五菱汽車), as supplier) in February 2023. Taking into account the distributorship agreement dated December 2022, MUCharging (Macau) became a distributor of certain electric motorbikes and electric delivery vehicles supplied by Wuling Industry in Hong Kong, Macau, Indonesia, Malaysia, Thailand and Singapore. Having conducted assessments and tests in the Year, the Group will launch the sales business for the distribution of Wuling EVs in Hong Kong and Southeast Asia in 2024.

In May 2023, MUCharging (Macau) entered into a joint venture agreement with Giken Mobility Pte. Ltd. ("GM", a wholly-owned subsidiary of GSS Energy Limited, which is a listed company in Singapore), in relation to the cooperation in the development of EV business primarily in Singapore, Thailand, Indonesia and Malaysia by way of formation of a joint venture, which includes the installation and operation of EV charging systems and EV battery swapping systems, distribution of EVs such as (but not limited to) electric 4-wheelers and/or electric motorcycles of Wuling Industry, and distribution of GM's Iso-branded electric motorcycles in the Greater Bay Area of the PRC.

While continuing the electric bike battery-swapping system business in China, the Group is actively planning to radiate this mature business model to the extensive electric bike markets in Southeast Asia. Such initiative intends to create synergy and generate assisting, supplementary and complementary effects with the Group's sales business for the distribution of Wuling electric bikes.

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue in FY2023 and FY2022:

	2023		2022	
	MOP'000	%	MOP'000	%
Construction business				
Construction and fitting out works	**231,066**	**15.4**	448,165	33.4
High voltage power substation construction and its system installation works	**10,353**	**0.7**	27,424	2.1
E&M engineering services works	**84,667**	**5.7**	165,497	12.3
Facilities management services	**138,240**	**9.2**	83,490	6.2
	464,326	**31.0**	724,576	54.0
EV business	**1,676**	**0.1**	1,219	0.1
Steel structures business	**1,030,391**	**68.9**	616,121	45.9
Total	**1,496,393**	**100.0**	1,341,916	100.0

The Group's revenue for the Year increased by MOP154.5 million or 11.5%, in which MOP414.3 million was contributed by the steel structures business and was partially offset by the decrease in revenue from the construction business.

Revenue from the steel structures business for the Year increased by MOP414.3 million or 67.2% as it was commenced in April 2022, thus covering only a part of the previous year, whereas the revenue for the Year covered the entire twelve-month period. During the Year, the Group delivered approximately 181,432 tons (FY2022: 93,869 tons) of steel materials, including reinforced bars, steel sheet piles and galvanized sheets, and contributed MOP1,030.4 million (FY2022: MOP616.1 million) to the Group's revenue.

Revenue from the construction business decreased by MOP260.2 million or 35.9%, which was primarily attributable to the following factors:

– due to the COVID-19 pandemic, the renewal of the six existing casino licences in Macau was postponed to November 2022, which led to the delay in rolling out the construction projects by the casino gaming and integrated resort operators and resulted in a limited number of new contracts awarded; and

– the unexpected delays in the certification of contract works and variation orders that were substantially completed during the Year for a hotel complex in an integrated resort in Cotai, Macau.

Management Discussion & Analysis

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin during FY2023 and FY2022:

	2023 Gross profit/(loss) MOP'000	2023 Gross margin %	2022 Gross profit/(loss) MOP'000	2022 Gross margin %
Construction business				
Construction and fitting out works	**(36,425)**	**(15.8)**	44,803	10.0
High voltage power substation construction and its system installation works	**1,259**	**12.2**	3,971	14.5
E&M engineering services works	**4,527**	**5.3**	30,932	18.7
Facilities management services	**52,801**	**38.2**	22,478	26.9
	22,162	**4.8**	102,184	14.1
EV business	**(4,564)**	**(272.4)**	(2,338)	(191.7)
Steel structures business	**103,350**	**10.0**	40,700	6.6
Total/overall	**120,948**	**8.1**	140,546	10.5

The Group recorded a gross profit of MOP120.9 million for the Year, which represented a year-on-year decrease of 13.9%. Gross margin dropped from 10.5% in FY2022 to 8.1% in FY2023.

Gross margin of the steel structures business improved from 6.6% in FY2022 to 10.0% in FY2023, which was attributable to the fact that the Group secured several purchase orders in the second half of FY2022 for the supply of metal materials for construction sites in Macau before the sharp drop in overall steel prices, with materials to be delivered throughout the year ended 31 December 2023.

The construction and fitting out works generated gross loss margin of 15.8% in FY2023 (FY2022: gross profit margin of 10.0%), which was primarily attributable to the following factors:

- the unexpected delays in the certification of contract works and variation orders that were substantially completed with the project costs incurred during the Year for a hotel complex in an integrated resort in Cotai, Macau. The Group will only receive payment after such costs have been certified by the project owners in 2024; and

- the Group incurred additional costs for the defects rectification works regarding the phase 2 development of a new hotel complex in Cotai, Macau. The costs were borne by the Group and without reimbursement by the property owner.

To expand the market share and prepare for a prospective rapid growth in the number of customers, the Group continued its investment in the EV business, and therefore recorded a gross loss of MOP4.6 million in FY2023 (FY2022: MOP2.3 million) in respect of the EV business segment. During the Year, the Group incurred (i) materials costs and installation costs of approximately MOP2,589,000 (FY2022: MOP992,000) for (a) EV charger facilities at residential and/or commercial buildings and/or hotel complex and (b) charging cabinets for lithium-ion phosphate batteries in Macau and the Guangdong province, the PRC; and (ii) depreciation costs of approximately MOP3.2 million (FY2022: MOP2.5 million).

Management Discussion & Analysis

Other gains and losses

Other gains and losses increased by MOP5.8 million during the Year, which was attributable to the Group's recognition of gain on disposal of property, plant and equipment of MOP6.9 million (FY2022: nil).

Distribution costs

During the Year, the Group incurred transportation costs of MOP21.7 million (FY2022: MOP3.6 million) for the steel structures business due to the increase in tons of steel materials delivered during the Year.

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

The Group recognised impairment losses of MOP27.1 million (FY2022: MOP1.2 million) for trade receivables, trade-nature amounts due from related companies, contract assets and other receivables under the ECL model, which was primarily attributable to the default of a customer in the payment of monies by the due date.

Administrative expenses

Administrative expenses increased by MOP21.2 million or 52.6% mainly due to salaries and other promotion costs incurred for the EV business and the steel structures business. In addition, the Group commenced facilities management services works in Cyprus and incurred administrative expenses of MOP3.7 million during the Year.

Finance costs

During the Year, the Group incurred interest expenses on bank borrowings of MOP7.8 million on the bank loans (FY2022: MOP756,000) due to the increase in bank borrowings during the Year.

Income tax expense

Income tax expense decreased by MOP5.4 million or 49.2% primarily due to (i) the decrease in gross profit; and (ii) the reversal of over-provision of Macau complementary tax of MOP2.7 million (FY2022: MOP1.8 million) in prior years.

Profit for the Year

The Group's profit for the Year decreased by MOP86.1 million or 93.9%, which was primarily attributable to the combined effect of the abovementioned items. Net margin dropped from 6.8% in FY2022 to 0.4% in FY2023.

Management Discussion & Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk	Description	Management Measures
Failure to secure new projects and sales orders	The Group's revenue from its construction business mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature. Revenue from its steel structures business is mainly generated from infrastructure projects that are project-originated and non-recurring. Failure to tender for and secure new projects from its existing customers and/or new customers in the future would affect the Group's business operation, sustainability and financial performance. It may also be difficult to forecast the volume of future business.	The Group has diversified its project portfolio into different areas such as maintenance works, energy infrastructure and government projects to help maintain its exposures in multiple project areas. In addition, the Group's existing customers are reputable multinational organisations with operations around the globe, the Group will continue to leverage its existing customer relationships and seek for new international business opportunities to further expand and diversify its customer and project base.
Underestimation of tender price and project cost overruns	The Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project. Failure to accurately estimate the costs involved in the implementation of the project and delay in completion of the project may adversely affect our operating results and financial position.	All bids are subject to rigorous estimating and tendering processes within the risk management framework. The Group has defined delegated authority levels for approving all tenders. Reviews are conducted following all tenders to ensure lessons are learnt and applied to future tenders.
Uncertain external factors	The nature, extent and timing of construction projects are determined by a variety of factors, including the (i) Macau government's policies and spending patterns on the construction industry and overall development plan of Macau, (ii) the investment of property developers and casino operators; and (iii) the general conditions and prospects of economy in Macau. Furthermore, the economy of Macau substantially relies on its gaming industry, which is dependent on the policies and measures adopted by the Macau and PRC governments. Any change in the number of construction projects in Macau would affect the Group's business operations and financial performance.	The current political and government policies remain favorable towards the gaming and hospitality industry, and should persist for the foreseeable future. This in turn should continue to provide a strong support for the construction business as it creates demand for new construction projects. In addition, the Group will continue to leverage its existing customer relationships and seek for new international business opportunities to further expand and diversify its customer and project base and to minimize local political and economic exposures.

Management Discussion & Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's capital expenditure and daily operations during the Year were mainly funded by cash generated from its operations and credit facilities provided by its principal bankers in Macau and the PRC.

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 2023, the Group had net current assets of MOP255.3 million (FY2022: MOP356.3 million). The current ratio of the Group as at 31 December 2023 was 1.4 (FY2022: 1.7).

The Group continued to maintain a healthy liquidity position. As at 31 December 2023, the Group had cash and bank balances of MOP57.6 million (FY2022: MOP74.8 million).

As at 31 December 2023, the Group had outstanding bank borrowings of MOP267.2 million (FY2022: MOP90.6 million) and the Group's unutilised credit facilities was MOP120.5 million (FY2022: MOP187.1 million). The Group's gearing ratio (calculated by dividing total debts with total equity) was 55.7% (FY2022: 18.8%).

CAPITAL STRUCTURE

As at 31 December 2023, the Company's share capital and equity amounted to MOP41.1 million and MOP480.0 million, respectively (FY2022: MOP27.4 million and MOP483.4 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risks primarily through the purchase of steel materials which is denominated in RMB, while sale is denominated in Hong Kong dollars ("HK$"). The management will monitor and review the Group's foreign exchange exposure from time to time and ensure that appropriate measures are adopted effectively in a timely manner to manage the currency risks.

On 20 April 2023, MECOM International entered into a set of foreign exchange hedging contracts with Agricultural Bank of China, Jiangmen Xinhui 2nd Sub-branch*, to hedge against RMB/HK$ currency risk, in respect of the principal amount of HK$120 million. On 28 April 2023, MECOM International entered into another set of foreign exchange hedging contracts with Bank of Communications, Zhuhai Branch*, to hedge against RMB/HK$ currency risk, in respect of the principal amount of HK$100 million. Please refer to the announcements of the Company dated 20 April 2023 and 28 April 2023 for further details.

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 above and in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plans for material investments or capital assets as at 31 December 2023.

Management Discussion & Analysis

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

The net proceeds from the global offering 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 dated 1 February 2018 for the Listing and subsequently revised in the announcement issued by the Company dated 28 February 2019.

The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2023:

	Revised applications (HK$ million)	Amount of unutilised proceeds as at 1 January 2023 (HK$ million)	Actual usage up to 31 December 2023 (HK$ million)	Amount of unutilised proceeds as at 31 December 2023 (HK$ million)
Financing the issuance of performance bonds when undertaking new projects (Note 1)	112.4	10.1	111.3	1.1
Establishing storage facilities (Note 2)	44.3	–	44.3	–
Recruiting additional staff	45.2	–	45.2	–
Acquiring additional machinery	16.8	–	16.8	–
Financing the upfront costs for new projects (Note 2)	16.7	–	16.7	–
General working capital	26.2	–	26.2	–
	261.6	10.1	260.5	1.1

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 and based on currently available information, the unutilised amounts of the net proceeds are expected to be fully utilised by 31 December 2024.

   Up to the date of this report, the Group has utilised HK$111.8 million of the total net proceeds for financing the issuance of performance bonds.

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.

Management Discussion & Analysis

PLEDGE OF ASSETS

As at 31 December 2023, the Group had pledged (i) bank deposits of MOP24.8 million (FY2022: MOP34.4 million); (ii) leasehold land of MOP48.0 million (FY2022: nil); and (iii) construction in progress of MOP124.8 million (FY2022: nil) with banks as security for credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2023 (FY2022: nil).

COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately MOP63,874,000 (FY2022: MOP146,236,000) in relation to the construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC.

EMPLOYEES AND REMUNERATION POLICY

The remuneration package offered to employees generally includes salaries, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds and bonuses. In general, the Group determines salaries of its employees based on their performance, qualifications, position and the prevailing industry practice.

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 2023, the Group had 366 (FY2022: 281) employees in Hong Kong, Macau, the PRC and Europe.

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. During the Year, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

PROSPECTS

As the COVID-19 pandemic gradually stabilised on a global scale in 2023, Macau experienced a favourable momentum exhibiting economic recovery. It is worth noting that the number of visitor arrivals has already reached 71.6% of the pre-pandemic level, which injected new economic impetus into the SAR government. Building on this positive trend, not only the SAR government recorded a gross gaming revenue of MOP183 billion, it is also projected to further increase to over MOP210 billion in 2024. In view of the sharp rebound in the number of visitor arrivals to Macau, casino operators and integrated resort operators are optimistic over their business outlook. Coupled with the promises of investing over MOP100 billion in non-gaming projects which are to be honoured by the six casino operators in the remaining nine years of the concession period, demand for renovation, alteration and addition works is expected to surge. Meanwhile, it was expressly stated in the Policy Address that the SAR government will continue to expand investment in public projects, and commence construction of public infrastructure, public housing and other projects.

Management Discussion & Analysis

As the large-scale construction projects of casino operators have been substantially completed, the Group will concentrate on participating in the SAR government's infrastructure projects and will actively involve in the renovation and modification works for the existing ancillary facilities of casino operators. Therefore, the Group's construction business is expected to maintain steadfast development. At the same time, the Group will leverage on the advantage of its own human resources and experience to further expand the facilities management business, with a focus on facilities management projects of the SAR government and the six casino operators, in order to achieve steady development and growth.

Regarding the sales, prefabrication and processing of the steel structures business, when the manufacturing facilities invested and constructed by the Group in Jiangmen commence operation after the construction is completed, the Group will endeavour to develop a retaining and bracing system for the vigorous promotion of the business of design, production and sales of retaining steel sheet piles for deep excavation, in order to meet the growing market demand. Moreover, in 2024, the Group will fully capitalise on the competitive edge of its self-constructed manufacturing facilities by strengthening business development in the construction materials markets of Hong Kong and Southeast Asia, in particular for the reinforced bar prefabrication and modular integrated construction prefabrication businesses. The Group will also deepen the technical cooperation with Tongji University to accommodate the requirements for the production capacity of Modular Integrated Construction method in the Hong Kong and Southeast Asia markets using the technology platform of MECOM International Research Centre for Prefabricated Construction Technology.

With heightened global awareness on environmental protection, the support to EVs and charging systems from governments around the world is becoming stronger, which in turn accelerates the growth in the use of EVs and demand for charging systems. The Group will grasp every opportunity to pursue expansion of the new energy business, and will speed up market deployment in Southeast Asia markets to commit greater involvement in this sector. Meanwhile, the Group will strive to develop the business of sales of Wuling EVs and electric bikes it distributes, in a bid to promote green energy application and upgrade its in-house technology level so as to meet market demand and consolidate its competitive position in the green energy sector.

Looking forward into 2024, the flourishing of infrastructure projects in Macau and Hong Kong is bringing more business opportunities to all principal businesses of the Group. These construction programmes improve people's livelihood, promote economic development and provide more scope for the Group's involvement and contribution. With the implementation of environmental policies by the government, greater opportunities are expected to arise for the development of the EVs and charging systems businesses. The Group will carry out in-depth exploration and expansion of its businesses in a proactive manner and make full involvement with its utmost professionalism to ensure a more entrenched and sustainable development in 2024.

* *For identification purposes only*

Management Discussion & Analysis

Construction Business

- **Structural works for the main structure of the podium, tower and theatre of a hotel complex in an integrated resort in Cotai, Macau.**

Construction Business

• The renovation work of the exterior of Sai Wan Bridge – Phase 1.

Management Discussion & Analysis

Construction Business

- Provision of operation and maintenance services for the energy centre and related equipment, and water features and swimming pools in an integrated casino resort in Cyprus.

Management Discussion & Analysis

EV Business

EV chargers installed in the Venetian, Macau

EV chargers installed in the PRC

Steel Structures Business

- First phase construction of manufacturing facilities located in Gujing Town, Xinhui District, Jiangmen, Guangdong Province.

Contributions to Society

• **Our chairman, Mr. Kuok Lam Sek, presented academic prizes and scholarships to awardees of the University of Macau.**

Environmental, Social and Governance Report

ABOUT THIS REPORT

MECOM is delighted to present its seventh 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 C2 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.

Materiality	We conducted regular materiality assessment to determine the social and environmental topics that matter most to the Group's business and its significant stakeholders who are identified through the stakeholder engagement process.
Quantitative	For the environmental section, quantitative indicators are reported with definitions and calculation methods to provide clear measurement of performance and ensure it is numerically comparable over years.
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 ESG 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

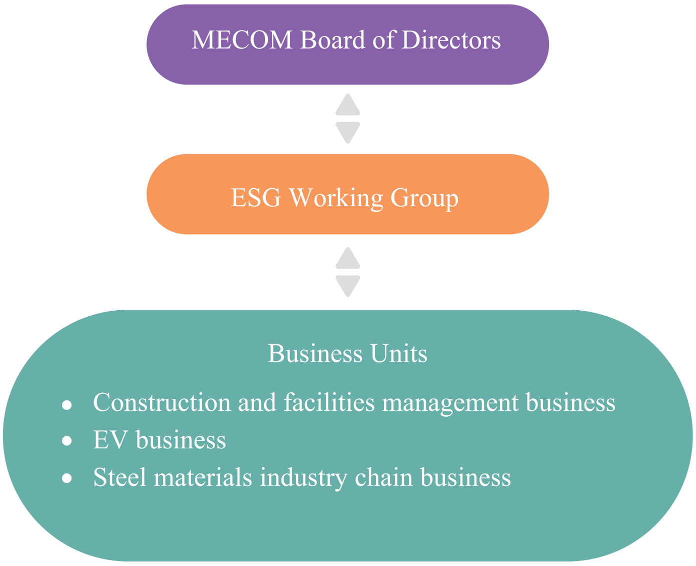
The ESG Report focuses on the Group's environmental and social related policies, initiatives and performances arising from its businesses and operations over which the Group has direct management control, unless otherwise specified. The Group's businesses and operations include construction and fitting out works, high voltage power substation construction and its system installation works, E&M engineering services works and facilities management services, as well as EV charging solution and system services business. The Group established a new company, EHY (Cyprus) Limited, domiciled in Cyprus during the year and has included its related operating performance data since inception where available.

Additional details of the corporate governance and risk management practices can be found in the Corporate Governance Report on pages 44 to 56.

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-tier management framework to drive sustainability into our value chain between the Board, the ESG working group, and business units:



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 and monitors the progress made against ESG targets, 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 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.

Environmental, Social and Governance Report

In order to drive our ESG commitment and continually enhance our sustainability performance, we have established the following targets. We will consistently monitor our achievement of the environmental targets set, through the implementation of environmental practices and steps described in the "Environmental" section below.

Environmental Aspects	Targets
Air emissions	• To incorporate "low carbon" as one of our investment strategies and criteria by 2025. • We will closely monitor our air emissions intensity and ensure its alignment with business growth by 2025.
Wastes	• We will closely monitor our paper consumption intensity (per revenue) and ensure its consumption is in line with business growth by 2025.
Energy consumption	• To incorporate energy efficiency as one of the criteria for the procurement of electronic devices (e.g. grade 1 energy label) by 2025. • We will take into account the electricity conservation policy and measures as one of our selection criteria for new subcontractors and investments by 2025.
Water consumption	• We will closely monitor water usage by our employees to ensure water consumption is in line with business growth by 2025.

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

In 2022, the Group undertook a strategic initiative to optimize resource allocation and ensure the effective execution of our ESG agenda. To achieve this, we aligned our practices with the Stock Exchange's Guidelines and conducted a comparative analysis alongside industry peers. This approach facilitated a comprehensive identification of the Group's salient ESG matters. This ESG Report still adopts the 2022 material topic results as the Group's strategy and business development has seen no material changes during the year. The 14 material ESG topics identified are outlined as follows:

Material ESG topics to MECOM[1]

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 Group'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 27 March 2024 which confirmed that disclosures made by the Group 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. We have been actively exploring opportunities in sustainable projects and searching for green solutions to address sustainability challenges.

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 (Law No. 2/91/M), Water Supply and Drainage Regulation (Decree Law No. 46/96/M), Prevention and Control on Environmental Noise (Law No. 8/2014) and relevant regulations as set out by the Macau Special Administrative Region ("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.

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

Environmental, Social and Governance Report

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. We have calculated the Nitrogen Oxides (NO_x), Sulphur Dioxide (SO_2), Particulate Matter (PM) and direct scope 1 GHG emissions resulting from the use of vehicles.

Air Emissions	2023	2022
NO_x (kg)	**103.02**	97.51
SO_2 (kg)	**0.30**	0.24
PM (kg)	**8.34**	8.37

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]	2023	2022
Direct Scope 1 GHG emission (tonnes CO_2e)[3]	**48.63**	38.72
Direct Scope 1 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.00003**	0.00003
Indirect Scope 2 GHG emission (tonnes CO_2e)[4]	**212.53**	23.93
Indirect Scope 2 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.00014**	0.00002

In order to reduce direct GHG emissions to pursue our ESG target, 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 performs regular carbon reviews and environmental impact assessments, and works closely with our subcontractors to implement green measures in our projects. Our environmental impact assessments cover aspects such as potential environmental impacts, regulatory compliance, environmental risks and opportunities etc. We also select our investment targets by evaluating their green initiatives, in particular we opt for targets that aim at driving for a low-carbon future. A case in point will be our engagement with business partners in the EV business, in which EVs are more energy efficient and produce less emissions than traditional vehicles.

We require all construction materials in transit to be covered throughout the transportation process to avoid the spreading 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 environmentally-friendly equipment to minimise emissions in the future.

2 Calculation of total GHG emission is based on Appendix 2 to the ESG Guideline issued by the Stock Exchange. The carbon dioxide emission factor for electricity is retrieved from the 2022 Sustainability Report published by Companhia de Electricidade de Macau (the "CEM").

3 Since the number of vehicles in the Group has increased and one vehicle uses diesel as fuel, scope 1 GHG emissions have increased significantly.

4 Since MECOM International commenced construction of its manufacturing facilities during the Year, scope 2 GHG emissions have increased significantly.

Environmental, Social and Governance Report

The Group advocates the avoidance of ozone depleting refrigerants such as hydro-chlorofluorocarbons (HCFCs) in our projects, and promotes 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 overall number of photocopiers and paper consumption in the Year is less than that in FY2022. The total consumption of paper during the Year is set out below:

Waste	2023	2022
Paper (tonnes)	**2.56**	3.41
Paper (tonnes per MOP'000 of revenue)	**0.0000017**	0.0000026

For waste reduction and operation efficiency purposes, the Group is implementing various paperless measures under the "4R" principles, as a means to achieve our ESG target on reducing paper consumption. We advocate a 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. We also encourage our subcontractors to prioritise the use of green and recyclable materials and equipment during procurement. Used materials such as timber and rubble, as well as steel and metal, are segregated for recycling.

We also maintain strict control on any potentially hazardous waste generated by our subcontractors. We perform regular pH tests on wastewater 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 main energy we use in our office, and we use petrol and diesel 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	2023	2022
Petrol (L)	**11,947**	16,401
Petrol Intensity (L per MOP'000 of revenue)	**0.0080**	0.0123
Diesel (L)[5]	**7,811**	Not applicable
Diesel Intensity (L per MOP'000 of revenue)	**0.0052**	Not applicable
Electricity (kWh)[6]	**370,565**	38,589
Electricity Intensity (kWh per MOP'000 of revenue)	**0.2476**	0.0290

We continue to look for replacements such as environment-friendly petrol or new vehicles with low emissions and high fuel efficiency. We also arrange regular inspection of vehicles to ensure the well-functioning of engines to minimise environmental impact.

To control the electricity consumption as well as the corresponding GHG emissions to attain our ESG target, 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 and site equipment, machinery, lighting and air-conditioning;
- Install air curtains 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.

5 Since one vehicle has been using diesel as fuel in the Year, diesel data has started to be recorded annually.

6 Since MECOM International commenced construction of its manufacturing facilities in the Year, electricity consumption and intensity have increased significantly.

Environmental, Social and Governance Report

In addition to managing energy consumption, the Group is committed to promoting awareness of water conservation amongst its staff, as a way of meeting our ESG target. We will display labels as reminders to avoid unnecessary water consumption. We will also conduct close maintenance and checking to ensure water pipes are well-functioning to avoid water leakage and excessive water usage. During the Year, we did not encounter any problems in sourcing water. The total consumption of water during the Year is set out below:

Water Consumption[7]	2023	2022
Water (tonnes)	**16,768**	Not applicable
Water Intensity (L per MOP'000 of revenue)	**0.0112**	Not applicable

We also require our subcontractors to conserve energy, water and resources throughout the construction process. Subcontractors are encouraged to establish electricity conservation policies, for example, to increase procurement of more energy efficient electronic devices. The workflow has been designed in an energy and resource 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 systems, in order to contribute to the global effort of mitigating climate change.

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 (Law No. 8/2014).

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.

7 Since MECOM International commenced construction of its manufacturing facilities in the Year, water data has started to be recorded annually.

Environmental, Social and Governance Report

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 commitments 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. For example, extreme climate events like typhoon and flooding, may pose threats to employee safety and damage to infrastructure, resulting in interruption of business operations. As the international community increasingly advocates the achievement of carbon neutrality, the changing regulatory requirements may pose transitional risks to the Group, potentially leading to risks of noncompliance. Building climate resilience and transforming towards a low carbon economy is becoming an essential part of business development.

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. For example, we have established contingency plans in case the Group faces unfortunate climate-related hazards. Furthermore, we have been consistently monitoring legal developments to ensure compliance with the latest laws.

As a responsible corporate, we also invest in climate-related projects to contribute to a low emission future.

The Group has continued its EV business in Macau and Guangdong Province, and further expanded our geographical coverage of EV charging infrastructures in the Year. The scope of work includes provision of design, supply, installation, operation and maintenance services for EV charger facilities. Furthermore, the Group has continued its battery-swapping systems for electric charging stations in Guangdong province. Charging cabinets comprising sets of lithium-ion phosphate batteries have been installed, which are mainly for food delivery riders' use. These EV charging facilities and battery-swapping systems are expected to enhance energy efficiency, thereby reducing emissions and contributing to a net-zero future.

Environmental, Social and Governance Report

SOCIAL

Human Resources Management

Equal Opportunities

Employee wellbeing 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, and 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.

Increasing gender equality and opportunities for women remained paramount throughout our business. In 2023, women comprised 20% of directors across the Board, 25% of the senior management and 16% across the workforce. The Group targets to keep at least the current level of female representation across the workforce. The management has taken, and continues to take, steps to promote diversity, including gender diversity, across the workforce in recruitment from time to time.

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 consideration of their interview performances, relevant experiences, and academic and professional qualifications. We have also entered 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.

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 bonding. During the Year, our staff participated in various sports activities, such as marathon and football matches organised by property owners and main contractors, which had a positive impact on employee 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.

Environmental, Social and Governance Report

As at December 31, 2023, the Group had 366 employees in Macau, Hong Kong and Mainland China. Our employee profile is as follows:

Number of Employees	2023 Number	2022 Number
By Gender		
Male	**313**	235
Female	**53**	46
By Age		
Below 30	**53**	36
30 – 50	**252**	181
Above 50	**61**	64
By Employment Type		
Full-time	**129**	107
Contracted staff	**235**	174
Part-time	**2**	N/A
By Employment Category		
Management personnel	**32**	13
Administrative staff	**47**	21
Technical staff	**51**	53
Others	**236**	194
By Geographical Region		
Cyprus	**30**	N/A
Hong Kong	**2**	1
Macau	**253**	253
Mainland China	**80**	27
Singapore	**1**	N/A

Employee Turnover Rate	2023 Percentage	2022 Percentage
By Gender		
Male	**32%**	38%
Female	**45%**	15%
By Age		
Below 30	**47%**	28%
30 – 50	**25%**	29%
Above 50	**59%**	55%
By Employment Type		
Full-time	**49%**	32%
Contracted staff	**26%**	35%
Part-time	**0%**	N/A
By Employment Category		
Management personnel	**22%**	8%
Administrative staff	**47%**	10%
Technical staff	**27%**	30%
Others	**34%**	40%
By Geographical Region		
Cyprus	**47%**	N/A
Hong Kong	**0%**	0%
Macau	**26%**	36%
Mainland China	**55%**	19%
Singapore	**0%**	N/A

Environmental, Social and Governance Report

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 safety management policy in place, 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 Management System ISO 45001:2018.

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.

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. Warning signs are posted in prominent positions, detailing potential health impact, handling procedures and preventive measures, so as to provide a safe occupational environment and minimise health and safety risks at our project sites.

Over the last three years, including the Year, there were no fatalities recorded for our direct employees. The number of lost days due to work injury in 2023 was 8 days (2022: 92 days). We were not aware of any case of material non-compliance with occupational health and safety-related laws and regulations in Macau.

Environmental, Social and Governance Report

Employee Development and Training

The Group acknowledges the importance of training for the purpose of enhancing the 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 each other's strengths and improvements. The breakdown of employees trained and average training hours completed per employee by gender and employment category during the Year are as follows:

Employees Trained[8]	2023 Percentage	2022 Percentage
By Gender		
Male	**83%**	75%
Female	**17%**	25%
By Employment Type		
Management personnel	**83%**	100%
Administrative staff	**0%**	0%
Technical staff	**17%**	0%
Others	**0%**	0%

Average Training Hours Completed per Employee	Hours	Hours
By Gender		
Male	**26.7**	25.7
Female	**34.0**	27.0
By Employment Type		
Management personnel	**29.3**	26.0
Administrative staff	**0.0**	0.0
Technical staff	**21.0**	0.0
Others	**0.0**	0.0

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 the 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. In any case that such violation was discovered, the responsible person will be subjected to internal disciplinary actions or handled by authorities when deemed suitable.

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.

8 The percentage of trained employees is calculated based on the "How to prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" published by the Stock Exchange, and the relevant data for 2022 has been updated accordingly.

Environmental, Social and Governance Report

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 therefore we have assessed the environmental awareness and management mechanisms of our potential supply chain partners during our selection process. The Group stringently manages suppliers and sub-contractors to avoid the procurement of any inferior or non-environmentally friendly materials or services, and adopts strict quality control. In this regard, the Group maintains a list of approved suppliers and sub-contractors. During our ongoing cooperation, we will maintain close communication and monitoring regarding their environmental and social practices, such as encouraging their procurement of green materials and products. 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.

The numbers of suppliers and subcontractors by geographical regions engaged in the Year are as follows. We have implemented the above mentioned environmental and social related management procedures to all of our suppliers and subcontractors.

Geographical Regions	2023 Number of Subcontractors	2023 Number of Suppliers	2022 Number of Subcontractors	2022 Number of Suppliers
Asia Pacific (excluding Hong Kong and Mainland China)	**0**	**2**	N/A	1
Europe	**0**	**26**	N/A	1
Hong Kong	**7**	**23**	4	20
Macau	**84**	**82**	85	47
Mainland China	**0**	**66**	1	29

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 the expertise and capability to deliver seamless site management and one-stop solution.

All of our construction services abide by the Urban Construction Legal Regime (Law No. 14/2021) 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. An 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;

Environmental, Social and Governance Report

- 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.

There were no products and service-related complaints received that are related to safety and health reasons during the Year.[9]

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 behaviour. 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.

In addition, training from relevant organisations (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 laws 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 acts 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.

[9] Due to our business nature as an engineering and construction service provider, our operation does not involve any product recalls for safety and health reasons, therefore the relevant disclosures are not applicable.

Environmental, Social and Governance Report

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 the academic year 2018/19. The amount of sponsorship is 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 younger generation.

Volunteering and Charity Donation

As a responsible corporate, 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.

During the Year, the Group has donated 6 computers to the Macao Jiangmen Communal Society, which supports public welfare and local economic growth. This commitment to fostering prosperity in Macao and Jiangmen reflects our dedication to ongoing societal and organizational support, reinforcing our role in enhancing communal stability and development.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek, aged 61, is an executive Director, the chairman of the Board and the founder of the Group. Mr. Kuok is a director of all the subsidiaries of the Company, except for Ao Gang Construction (Macau) Limited (澳港建設(澳門)有限公司) ("Ao Gang Construction (Macau)"), EHY (Cyprus) Limited, Jiangmen Kepeida Metal Materials Co., Ltd* (江門科沛達金屬材料有限責任公司) and MECOM Greenbuild (Singapore) Pte. Ltd. ("MECOM Greenbuild"). Mr. Kuok is responsible for the overall management and strategic planning of the Group.

Mr. Kuok has over 41 years of experience in the construction industry. Prior to establishing Engenharia Hung Yip, Mr. Kuok worked as a contractor worker for 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. Kuok is a director and shareholder of MECOM Holding Limited ("MECOM Holding") which is the controlling shareholder of the Company.

Mr. Sou Kun Tou, aged 57, is an executive Director, the deputy chairman of the Board and the chief executive officer of the Company. Mr. Sou is a director of all the subsidiaries of the Company, except for MU (Guangdong) New Energy Vehicle Co., Ltd* (自由充(廣東)新能源汽車有限公司), MECOM Zhihui Energy Technology (Guangzhou) Co., Ltd* (澳能智匯能源科技(廣州)有限公司), Ao Gang Construction (Macau) and MECOM Greenbuild. Mr. Sou is responsible for the day-to-day business operations of the Group.

Mr. Sou has over 35 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.

Mr. Sou is a director and shareholder of MECOM Holding which is the controlling shareholder of the Company.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy, aged 59, has been an independent non-executive Director since 23 January 2018, and is the chairlady of the audit committee (the "Audit Committee") and a member of the remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") (collectively, the "Board Committees") of the Company.

Ms. Chan has been appointed as the chief executive officer of the Northeast Asia Region of Richemont Asia Pacific Limited effective from 1 September 2022, where she is responsible for overseeing its operations in Hainan, Hong Kong, Macau and Taiwan. She has been working with Richemont Luxury Group, one of the global luxury goods companies, for over 26 years. With more than 26 years of experience in several prestigious multinational corporations, Ms. Chan leads Richemont Luxury Group in maximising operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning, business development 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 financial control and business planning.

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.

From July 2021 to August 2023, Ms. Chan was an independent director of Black Spade Acquisition Co, a special purpose acquisition company listed on the New York Stock Exchange (NYSE: BSAQ) which is focused on identifying a business combination target that is related to or in the entertainment industry, with a focus on enabling technology, lifestyle brands, products, or services, and entertainment media.

Mr. Cheung Kiu Cho, Vincent, aged 48, has been an independent non-executive Director since 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 26 years of experience in the 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 acquisitions 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, a member of the Hong Kong Institute of Surveyors, and a fellow member and registered valuer of the Royal Institution of Chartered Surveyors. Mr. Cheung is also a member of the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Real Estate Administrators.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

From June 2006 to April 2021, Mr. Cheung was 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. From September 2017 to April 2021, Mr. Cheung was 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. From November 2020 to April 2021, Mr. Cheung was a non-executive director and a member of the audit committee, nomination committee and remuneration committee of GTI Holdings Limited (In liquidation), a company incorporated in the Cayman Islands and 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.

Mr. Lio Weng Tong, aged 47, has been an independent non-executive Director since 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 14 years of entrepreneurial and investment experience in early growth-oriented innovative technology companies, and is particularly passionate about artificial intelligence, blockchain, software as a service and ocean economy industries. Mr. Lio is the founder and director of Teclent Venture Investment 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 an executive member of the 13th Guangdong Federation of Industry and Commerce (General Chamber of Commerce) (廣東省工商聯（總商會）第十三屆執行委員), 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).

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lam Kuok Wa, aged 50, 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 26 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 50, is the vice president and is primarily responsible for engineering project coordination and supervision of the Group. Mr. Lao has over 30 years of experience in the construction industry and he joined the Group in 2007.

Ms. Tam Wing Yee, aged 42, is the finance manager and the company secretary of the Company (the "Company Secretary") and is responsible for finance, accounting and company secretarial matters of the Group. Ms. Tam has over 20 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 42, 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 2023.

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 of the Company (the "Shareholders"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the "CG Code") in Appendix C1 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 Part 2 of the CG Code throughout the Year.

CULTURES AND VALUES

A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all the activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly embedded in various policies such as the employee handbook, the code of conduct and ethics, the anti-corruption policy and the whistleblowing policy of the Group.

Quality assurance and value creation

The Group is committed to workforce development, workplace safety and health, diversity, and sustainability. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in business development and management are to achieve long-term, steady and sustainable growth, and to pursue continuous adding value on the Shareholders, employees, working partners and the society.

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 C3 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 pursuant to the restrictions under the Model Code as if he/she were a Director.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the code provision A.2.1 of Part 2 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (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.

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 Nomination Committee and the Remuneration Committee, to oversee different areas of the Company's affairs.

Board Composition

The Board currently consists of five Directors, including two executive Directors and three independent non-executive Directors (the "INED(s)"), as follows:

Executive Directors
Mr. Kuok Lam Sek *(Chairman)*
Mr. Sou Kun Tou *(Chief Executive Officer and Deputy Chairman)*

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 two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice. Under the code provision B.2.2 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 two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

During the year ended 31 December 2023, 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 and such representation exceeds the ratio required under Rule 3.10A of the Listing Rules, which indicates that there is a strong element of independence on the Board which can effectively exercise independent judgment. The Board believes there is a sufficient element of independence in the Board to safeguard the interest of the Shareholders.

Independence of the INEDs

The role of the INEDs is to provide independent and objective opinions to the Board, and give 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 a 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.

The Board has also established mechanisms to ensure independent views are available to the Board. 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. The chairman of the Board will hold meetings with the INEDs without the involvement of other Directors at least annually to discuss any issues and concerns. The Board has reviewed and considered that the mechanisms were effective in ensuring that independent views and input were provided to the Board during the Year.

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 his/her appropriate understanding of the business and operations of the Company and full awareness of a 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.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Continuing Professional Development *(continued)*

The individual training record of each Director during the year ended 31 December 2023 is summarised below:

Name of Director	Attending training course(s)	Reading materials
Executive Directors		
Mr. Kuok Lam Sek *(Chairman)*	✓	✓
Mr. Sou Kun Tou *(Chief Executive Officer and Deputy Chairman)*	✓	✓
Independent Non-executive Directors		
Ms. Chan Po Yi, Patsy	✓	✓
Mr. Cheung Kiu Cho, Vincent	✓	✓
Mr. Lio Weng Tong	✓	✓

Attendance Records of Directors and Committee Meetings

Code provision C.5.1 of Part 2 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 the 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 C.2.7 of Part 2 of the CG Code requires that the chairman should at least annually hold meetings with INEDs 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	4/7	1/2	1/1	2/2	1/1
Mr. Cheung Kiu Cho, Vincent	4/7	1/2	0/1	1/2	1/1
Mr. Lio Weng Tong	5/7	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.

Corporate Governance Report

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 Board Committees' authorities and duties, and which require the Board Committees to report back on their decisions or recommendations to the Board. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 to the Listing Rules and principle D.3 of Part 2 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 2023, 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 2022 and for the six months ended 30 June 2023, 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 principle E.1 of Part 2 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.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

Pursuant to code provision E.1.5 of Part 2 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2023 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 2023, the Remuneration Committee met twice, during which the Remuneration Committee has, inter alia, (i) reviewed the remuneration packages for individual executive Directors and senior management and made recommendations 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.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with principle B.3 of Part 2 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 the Board with reference to 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 INEDs.

The members of the Nomination Committee can call for a meeting anytime when it is necessary. During the year ended 31 December 2023, 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 Directors standing for re-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 complementing 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 complements 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 Board currently has one female Director. Taking into account the business model and specific needs as well as the presence of one female Director out of a total of five Board members, the Board considered that the composition of the Board satisfies the Board Diversity Policy. The Board targeted to keep the current level of at least 20% female representation in the Board. Nevertheless, the Nomination Committee will also use reasonable efforts to identify and recommend female candidates to the Board for consideration for appointment as Directors from time to time.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

Board Diversity Policy (continued)

In particular, going forward and with a view to developing a pipeline of potential successors to the Board, the Company will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of the Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or the Board so that the Board will have a pipeline of female senior management and potential successors to the Board in a few years' time.

Gender diversity at workforce levels is disclosed in the section headed "Environmental, Social and Governance Report" in this annual report.

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.

- 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.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

Nomination Policy (continued)

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 members 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 recommendations to the Shareholders in respect of the proposed election of Directors at the general meeting.

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 an INED at a general meeting, the Board should set out in the circular to the 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;

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

Nomination Policy (continued)

Nomination Process – Re-election of Director at General Meeting *(continued)*

(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.

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board's policies and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

During the Year, the Company Secretary had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

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;

(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 shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to declare a dividend at any time or from time to time. The Dividend Policy is subject to review by the Board from time to time and will be amended as and when appropriate.

Corporate Governance Report

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 the 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	2.0
Non-audit services	1.0
Total	3.0

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

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, and at least annually, the effectiveness of the Group's risk management and internal control systems, 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 levels 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 systems are working effectively and risk mitigation actions are implemented within business units.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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 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 officers and safety supervisors 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.

The Company has not established 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 systems to evaluate 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. Any findings or irregularities identified, together with the remedial actions and recommendations to enhance our internal control measures and policies, are discussed with the management and reported to the Audit Committee. Upon reviewing the effectiveness of the Group's material internal controls 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.

WHISTLEBLOWING POLICY

A whistleblowing policy (the "Whistleblowing Policy") is in place to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourage the reporting of misconduct, unlawful and unethical behaviour.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Company Secretary. No incident of fraud or misconduct that has a material effect on the Group's financial statements or overall operations for the year ended 31 December 2023 has been discovered.

The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Corporate Governance Report

ANTI-CORRUPTION POLICY

The Group's anti-corruption policy (the "Anti-corruption Policy") was introduced in January 2022. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

DISSEMINATION OF INSIDE INFORMATION

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.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions will 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 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 has adopted the Shareholders' communication policy (the "Shareholders' Communication Policy") with the objective of ensuring that the Shareholders and potential investors are provided with timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the Shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Company's website at www.mecommacau.com and the Stock Exchange's website at www.hkexnews.hk;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and the Stock Exchange;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors (or their delegates as appropriate); and

(v) The Hong Kong branch share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company continues to promote investor relations and enhance communication with the existing Shareholders and potential investors for better understanding of the Group's business performance and strategies. The Shareholders' Communication Policy is reviewed by the Board on a regular basis. Based on the foregoing, the Company considers the implementation of the Shareholders' communication policy during the Year was effective.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents during the year ended 31 December 2023. The Articles of Association is also available on the websites of the Company and the Stock Exchange.

As set out in the Company's announcement dated 28 March 2024, the Board proposes to make certain amendments to the existing Articles of Association of the Company in view of, among other matters, the latest requirements of the Listing Rules in relation to electronic dissemination of corporate communications. The proposed amendments will be effected by way of adoption of the new Articles of Association of the Company, and in this regard a special resolution will be proposed at the forthcoming AGM for approval by the Company's Shareholders. Details of the proposed amendments are set out in the Company's circular for the forthcoming AGM.

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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, E&M engineering services works, and provision of facilities management services. The Group is also engaged in EV business and the steel structures business which involves the sales and processing of new material steel structures. The principal activities and other particulars of the subsidiaries of the Company are set out in note 37 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 of this annual report.

The Board did not recommend payment of a final dividend for the year ended 31 December 2023.

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends for the year ended 31 December 2023.

BONUS ISSUE OF SHARES

For the year ended 31 December 2023, the Board recommended a bonus issue of 1,332,083,725 new Shares to the existing Shareholders of the Company on the basis of one bonus Share for every two existing Shares held by the Shareholders of the Company on 6 June 2023, and the bonus issue was completed on 29 June 2023. Please refer to the Company's announcement dated 30 March 2023 and the Company's circular dated 26 April 2023 for details.

Directors' Report

BONUS WARRANTS ISSUE

On 10 May 2022, the Company issued a circular relating to the bonus warrants issue (the "2022 Warrants"), and obtained approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2022 Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the 2022 Warrants. The stock code of the 2022 Warrants was 2242.

The 2022 Warrants were issued to the qualifying shareholders on the basis of one 2022 Warrant for every ten shares held on 20 May 2022. A total of 178,201,700 2022 Warrants were issued by the Company to the qualifying shareholders, represented by the 2022 Warrant certificates. The 2022 Warrants were issued in registered form and each 2022 Warrant entitled the holder thereof to subscribe in cash for 1 new Share at an initial subscription price of HK$4.47 per share during the subscription period from Wednesday, 25 May 2022 to Wednesday, 24 May 2023 (both days inclusive). The subscription price was adjusted from HK$4.47 to HK$2.95 per share with effect from 8 June 2022 and further adjusted from HK$2.95 to HK$2.93 per Share with effect from 16 September 2022. Details of the adjustments are disclosed in the Company's announcements dated 7 June 2022 and 15 September 2022. A total of 165,301 2022 Warrants were exercised and all of the 2022 Warrants, to the extent not yet exercised, were expired and lapsed on 24 May 2023.

On 8 May 2023, the Company issued a circular relating to a new bonus warrants issue (the "2023 Warrants"), and obtained approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2023 Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the 2023 Warrants. The stock code of the 2023 Warrants is 424.

The 2023 Warrants were issued to the qualifying shareholders on the basis of one 2023 Warrant for every ten shares held on 18 May 2023. A total of 266,408,595 2023 Warrants were issued by the Company to the qualifying shareholders, represented by the 2023 Warrant certificates. The 2023 Warrants were issued in registered form and each 2023 Warrant entitles the holder thereof to subscribe in cash for 1 new Share at an initial subscription price of HK$1.78 per share during the subscription period from Thursday, 25 May 2023 to Friday, 24 May 2024 (both days inclusive). The subscription price was adjusted from HK$1.78 to HK$1.19 per share with effect from 7 June 2023. Details of the adjustments are disclosed in the Company's announcement dated 6 June 2023. As at the date of this report, 40 2023 Warrants have been exercised.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023, comprising an analysis of the Group's performance during the Year, a discussion of the principal risks and uncertainties faced by the Group as well as an indication of likely future business development, is set out in the section headed "Management Discussion and Analysis" on pages 6 to 23 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 148 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 14 to the consolidated financial statements.

Directors' Report

DONATIONS

During the Year, the Group made other donations that amounted to MOP100,000 (2022: MOP100,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 26 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 76 of this annual report and in note 36 to the consolidated financial statements, respectively.

The reserves of the Company which were available for distribution to Shareholders at 31 December 2023 were MOP335,524,000.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The forthcoming AGM is scheduled to be held on Thursday, 30 May 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 24 May 2024 to Thursday, 30 May 2024 (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 the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2024.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the Year, the Group's top five customers accounted for approximately 59.4% of the Group's total revenue for the Year. The largest customer accounted for approximately 20.0% 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 60.5% of the Group's total purchase costs for the Year. The largest subcontractor accounted for approximately 31.6% of the Group's purchases costs for the Year.

None of the Directors, their close 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' Report

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 *(Chief Executive Officer and Deputy Chairman)*

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. Kuok Lam Sek and Ms. Chan Po Yi, Patsy will retire by rotation at the forthcoming AGM 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 40 to 43 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the INEDs are independent.

Directors' Report

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 two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice.

None of the Directors proposed for re-election at the forthcoming AGM 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. Such permitted indemnity provision has been in force for the year ended 31 December 2023.

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 2023.

EQUITY-LINKED AGREEMENTS

Except for the Share Option Scheme, no equity-linked agreements were entered into by the Group or in existence during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 29 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 29 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.

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 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' Report

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

As at 31 December 2023, 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 of 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) Long positions in the Shares and underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares held pursuant to Warrants	Total	Approximate percentage of shareholding interest(Note 1)
Mr. Kuok Lam Sek ("Mr. Kuok")(Note 2)	Interest of the controlled corporation	2,040,470,000	135,216,000	2,175,686,000	54.58%
Mr. Sou Kun Tou ("Mr. Sou")(Note 2)	Interest of the controlled corporation	2,040,470,000	135,216,000	2,175,686,000	54.58%
Ms. Chan Po Yi, Patsy	Beneficial interest	675,000	45,000	720,000	0.02%

Notes:

(1) Based on 3,985,997,216 Shares in issue as at 31 December 2023.

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

(ii) Interests in associated corporation of the Company

Name of Director	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 2023, 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, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares, underlying Shares and debentures 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:

Long positions in the Shares and underlying Shares of the Company

Name	Nature of interest	Number of Shares	Number of underlying Shares held pursuant to Warrants	Total	Approximate percentage of shareholding interest(Note 1)
Mr. Lam(Note 2)	Interest of the controlled corporation	2,040,470,000	135,216,000	2,175,686,000	54.58%
Mr. Lao(Note 2)	Interest of the controlled corporation	2,040,470,000	135,216,000	2,175,686,000	54.58%
MECOM Holding Limited	Beneficial owner	2,040,470,000	135,216,000	2,175,686,000	54.58%
Mr. Kuan Chio Man ("Mr. Kuan")(Note 3)	Interest of the controlled corporation	510,617,500	33,421,500	544,039,000	13.65%
Mr. Lei Kuok Hong ("Mr. Lei")(Note 3)	Beneficial owner	2,220,750	148,050	2,368,800	0.06%
	Interest of the controlled corporation	510,617,500	33,421,500	544,039,000	13.65%
Macau New Base Investment Company Limited ("Macau New Base")	Beneficial owner	510,617,500	33,421,500	544,039,000	13.65%

Notes:

(1) Based on 3,985,997,216 Shares in issue as at 31 December 2023.

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

(3) 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 2023, 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 27 to the consolidated financial statements.

During the Year, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

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 the 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 INEDs 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 2023 are disclosed in note 29 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

DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreements dated 27 September 2022

In September 2022, EHY Construction and Engineering Company Limited ("EHY"), Sun Hung Yip Engineering Construction Company Limited ("SHY") and Ao Gang Construction (Macau) as borrowers and the Company as guarantor entered into three facility agreements (the "2022 Facility Agreements") with Tai Fung Bank, Macau Branch (the "Bank") for (i) a revolving loan facility of up to HK$50,000,000 and a term loan facility of up to HK$5,000,000 for EHY with a term of one year and two years, respectively, from the drawdown date, (ii) a term loan facility of up to HK$5,000,000 for SHY with a term of two years from the drawdown date, (iii) a revolving commitment for issuance of bank guarantees of up to HK$200,000,000 for EHY and SHY for the period up to 11 July 2023, and (iv) for a revolving invoice financing facility of up to HK$80,000,000 for Ao Gang Construction (Macau) with a term of one year from the drawdown date (collectively, the "2022 Facilities").

Under the terms of the 2022 Facility Agreements, it will constitute an event of default if, among other things, Mr. Kuok and Mr. Sou cease to maintain management control over the Company or cease to act as the key management of the Company. On and at any time after the occurrence of a continuing event of default, the Bank may, upon notice to the borrowers and/or guarantors thereunder (as the case may be), cancel all or any part of the commitment immediately and/or declare that all or part of the 2022 Facilities, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable and/or declare that all or part of the 2022 Facilities be payable on demand; and/or exercise any or all of its rights, remedies, powers and discretions under the 2022 Facility Agreements.

Please refer to the Company's announcement dated 30 September 2022 for further information.

Facility Agreement dated 3 March 2023

In March 2023, Ao Gang Construction (Macau) as borrower, the Company as guarantor (to the extent of 60% of the outstanding liabilities incurred by Ao Gang Construction (Macau) thereunder) and Chang Tsuo Heavy Equipment Technology (Macau) Co., Ltd.* (將作重工裝備科技(澳門)有限公司) as guarantor (to the extent of 40% of the outstanding liabilities incurred by Ao Gang Construction (Macau) thereunder) entered into a facility agreement (the "2023 Facility Agreement") with Luso International Banking Ltd, for a revolving working capital loan facility of up to HK$30,000,000 (the "2023 Facility") with a term of fifteen months from the date of the 2023 Facility Agreement.

Under the terms of the 2023 Facility Agreement, a specific performance covenant is imposed on Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao (who are the Controlling Shareholders) to hold directly or indirectly not less than 50% equity interest in MECOM Holding Limited, the direct holding company of the Company. Failure to comply with the aforesaid covenant by the Controlling Shareholders will constitute an event of default under the 2023 Facility Agreement. On and at any time after the occurrence of a continuing event of default, the bank may, upon notice to the borrower and/or guarantors thereunder (as the case may be), cancel all or any part of the commitment immediately and/or declare that all or part of the 2023 Facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable and/or declare that all or part of the 2023 Facility be payable on demand; and/or exercise any or all of its rights, remedies, powers and discretions under the 2023 Facility Agreement.

Please refer to the Company's announcement dated 8 March 2023 for further information.

Directors' Report

DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES *(continued)*

Facility Agreements dated 13 September 2023

In September 2023, EHY, SHY and Ao Gang Construction (Macau) as borrowers and the Company as guarantor entered into two facility agreements (the "2023 Facility Agreements") with the Bank for (i) reducing the revolving commitment for issuance of bank guarantees of up to HK$200,000,000 for EHY and SHY made available in the 2022 Facility Agreements to HK$130,000,000 for the period up to 11 July 2024, (ii) reducing the revolving invoice financing facility of up to HK$80,000,000 for Ao Gang Construction (Macau) made available in the 2022 Facility Agreements to HK$40,000,000 for the period up to 11 October 2024, and (iii) revolving loan facility of up to HK$60,000,000 for Ao Gang Construction (Macau) with a term of one year from the drawdown date (collectively, the "2023 Facilities").

Under the terms of the 2023 Facility Agreements, it will constitute an event of default if, among other things, Mr. Kuok and Mr. Sou cease to maintain management control over the Company or cease to act as the key management of the Company. On and at any time after the occurrence of a continuing event of default, the bank may, upon notice to the borrowers and/or guarantors thereunder (as the case may be), cancel all or any part of the commitment immediately and/or declare that all or part of the 2023 Facilities, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable and/or declare that all or part of the 2023 Facilities be payable on demand; and/or exercise any or all of its rights, remedies, powers and discretions under the 2023 Facility Agreements.

Please refer to the Company's announcement dated 25 September 2023 for further information.

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

The Company repurchased 10,254,000 Shares on the Stock Exchange during the Year. The total consideration (including transaction costs) of the repurchases was approximately HK$5,064,000. 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 HK$	Purchase price per Share Lowest HK$	Aggregate consideration HK$
September 2023	10,254,000	0.630	0.395	5,064,000

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.

Directors' Report

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

The Directors are of the opinion that the Company has complied with all the code provisions set out in Part 2 of the CG Code during the Year. For details, please refer to the Corporate Governance Report set out on pages 44 to 56 of this annual report.

EMOLUMENT POLICY

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

The emoluments of the 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 10 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 section headed "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 2023 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

(For identification purposes only)*

On behalf of the Board

Kuok Lam Sek
Chairman

Hong Kong, 27 March 2024

Independent Auditor's Report

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 73 to 147, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, 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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matters
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables 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 and contract assets at the end of the reporting period. At 31 December 2023, as set out in notes 19 and 18 to the consolidated financial statements, the Group's net trade receivables and contract assets amounting to MOP445,906,000 and MOP111,423,000 with allowance for credit losses of MOP33,580,000, and MOP2,765,000, respectively.	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 Group's policy for calculating ECL and whether there have been any changes from the prior year; ii. Obtain the Group'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. Evaluation of external credit ratings 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 Group's policy.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matters
Impairment assessment of trade receivables and contract assets	
Details relating to the Group's trade receivables and contract assets and the ECL assessment are set out in Note 32b to the consolidated financial statements.	• Evaluating the method of measurement, including: i. Whether the model is suitable for estimating the ECL, this will include understanding the model methodology and logic which will be based on the review and understanding of model documentation; ii. 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 iii. Review of the model's performance, comparing the model output to the actual default rates and incurred losses.

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.

Independent Auditor's Report

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.

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, actions taken to eliminate threats or safeguards applied.

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
27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 MOP'000	2022 MOP'000
Revenue	5	**1,496,393**	1,341,916
Cost of services		**(1,375,445)**	(1,201,370)
Gross profit		**120,948**	140,546
Other income	6	**2,673**	1,469
Other gains and losses	7	**6,055**	228
Impairment losses under expected credit loss model, net of reversal	32b	**(27,058)**	(1,174)
Loss on fair value changes of derivative financial instruments	28	**(1,412)**	–
Distribution costs		**(21,650)**	(3,577)
Administrative expenses		**(61,559)**	(40,327)
Share of results of associates		**937**	6,128
Finance costs	8	**(7,848)**	(756)
Profit before tax		**11,086**	102,537
Income tax expense	12	**(5,520)**	(10,870)
Profit for the year	9	**5,566**	91,667
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		**(5,565)**	(15,687)
Total comprehensive income for the year		**1**	75,980
(Loss) profit for the year attributable to:			
Owners of the Company		**(11,585)**	81,344
Non-controlling interests		**17,151**	10,323
		5,566	91,667
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(14,923)**	71,436
Non-controlling interests		**14,924**	4,544
		1	75,980
Basic (loss) earnings per share (MOP cents)	13	**(0.29)**	2.03*
Diluted (loss) earnings per share (MOP cents)	13	**(0.29)**	2.03*

* The earnings per share for the year ended 31 December 2022 was adjusted and restated for the bonus issue of shares completed on 29 June 2023.

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 MOP'000	2022 MOP'000
Non-current assets			
Property, plant and equipment	14	231,269	113,261
Right-of-use assets	15	351	–
Interests in associates	16	14,812	13,875
Deposit paid for property, plant and equipment	19	10,483	–
		256,915	127,136
Current assets			
Inventories	17	44,420	12,848
Contract assets	18	111,423	84,312
Trade and other receivables	19	588,073	652,243
Amounts due from related companies	20	5,056	9,729
Pledged bank deposits	21	24,770	34,370
Cash and cash equivalents	21	57,635	74,795
		831,377	868,297
Current liabilities			
Amounts due to related companies	20	147	267
Trade payables and accrued charges	22	295,957	403,095
Derivative financial instruments	28	1,412	–
Tax liabilities		10,414	18,032
Bank borrowings	24	235,146	90,640
Lease liabilities	25	185	–
Bank overdrafts	21	13,250	–
Contract liabilities	23	19,595	–
		576,106	512,034
Net current assets		255,271	356,263
Total asset less current liabilities		512,186	483,399
Non-current liabilities			
Bank borrowings	24	32,052	–
Lease liabilities	25	169	–
		32,221	–
Net assets		479,965	483,399

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 MOP'000	2022 MOP'000
Capital and reserves			
Share capital	26	**41,056**	27,440
Reserves		**335,058**	369,203
Equity attributable to owners of the Company		**376,114**	396,643
Non-controlling interests		**103,851**	86,756
Total equity		**479,965**	483,399

The consolidated financial statements on pages 73 to 147 were approved and authorised for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Kuok Lam Sek
DIRECTOR

Sou Kun Tou
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	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)*	Translation reserve MOP'000	Retained earnings MOP'000	Sub-total MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2022	18,358	384,277	–	45	(147,114)	377	191,585	447,528	–	447,528
Profit for the year	–	–	–	–	–	–	81,344	81,344	10,323	91,667
Other comprehensive expense for the year	–	–	–	–	–	(9,908)	–	(9,908)	(5,779)	(15,687)
Total comprehensive income (expense) for the year	–	–	–	–	–	(9,908)	81,344	71,436	4,544	75,980
Shares repurchased and cancelled	(97)	(19,893)	–	–	–	–	–	(19,990)	–	(19,990)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	82,212	82,212
Bonus issue of shares	9,178	(9,178)	–	–	–	–	–	–	–	–
Transaction costs attributable to issue of bonus shares	–	(108)	–	–	–	–	–	(108)	–	(108)
Exercise of bonus warrants	1	283	–	–	–	–	–	284	–	284
Transaction costs attributable to exercise of bonus warrants	–	(635)	–	–	–	–	–	(635)	–	(635)
Dividends paid *(note 11)*	–	–	–	–	–	–	(101,872)	(101,872)	–	(101,872)
At 31 December 2022	27,440	354,746	–	45	(147,114)	(9,531)	171,057	396,643	86,756	483,399
Profit (loss) for the year	–	–	–	–	–	–	(11,585)	(11,585)	17,151	5,566
Other comprehensive expense for the year	–	–	–	–	–	(3,338)	–	(3,338)	(2,227)	(5,565)
Total comprehensive income (expense) for the year	–	–	–	–	–	(3,338)	(11,585)	(14,923)	14,924	1
Shares repurchased and cancelled	(105)	(5,110)	–	–	–	–	–	(5,215)	–	(5,215)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	2,171	2,171
Bonus issue of shares	13,720	(13,720)	–	–	–	–	–	–	–	–
Transaction costs attributable to issue of bonus shares	–	(108)	–	–	–	–	–	(108)	–	(108)
Exercise of bonus warrants	1	293	–	–	–	–	–	294	–	294
Transaction costs attributable to exercise of bonus warrants	–	(577)	–	–	–	–	–	(577)	–	(577)
At 31 December 2023	41,056	335,524	–	45	(147,114)	(12,869)	159,472	376,114	103,851	479,965

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 2023

	2023 MOP'000	2022 MOP'000
OPERATING ACTIVITIES		
Profit before tax	11,086	102,537
Adjustments for:		
Interest expense on bank borrowings	7,842	756
Interest on lease liabilities	6	–
Bank interest income	(1,029)	(1,328)
Share of results of associates	(937)	(6,128)
Depreciation of property, plant and equipment	8,040	6,511
Depreciation of right-of-use assets	31	–
Impairment losses under expected credit loss model, net of reversal	27,058	1,174
Write-off of inventories	416	–
Loss on fair value changes of derivative financial instruments	1,412	–
(Gain) loss on disposal of property, plant and equipment	(6,901)	17
Operating cash flows before movements in working capital	47,024	103,539
Increase in inventories	(31,988)	(12,848)
(Decrease) increase in trade and other receivables	38,352	(397,239)
Decrease in amounts due from related companies	3,270	8,984
(Increase) decrease in contract assets	(28,257)	10,274
(Decrease) increase in trade payables and accrued charges	(107,138)	193,763
Increase in contract liabilities	19,595	–
Cash used in operations	(59,142)	(93,527)
Income tax paid	(13,125)	(17,507)
NET CASH USED IN OPERATING ACTIVITIES	(72,267)	(111,034)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(126,660)	(68,815)
Deposit paid for property, plant and equipment	(10,483)	–
Proceeds on disposal of property, plant and equipment	6,901	–
Advances to related companies	(25,930)	(38,488)
Repayments from related companies	27,375	34,958
Placement of pledged bank deposits	(10,597)	(4,922)
Withdrawal of pledged bank deposits	20,197	1,710
Interest received	893	1,194
Placement of fixed bank deposits	–	(324)
Withdrawal of fixed bank deposits	–	45,682
NET CASH USED IN INVESTING ACTIVITIES	(118,304)	(29,005)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 MOP'000	2022 MOP'000
FINANCING ACTIVITIES		
Advances from related companies	**785**	4,256
Repayment to related companies	**(905)**	(5,247)
New bank borrowings raised	**601,578**	142,140
Repayment of bank borrowings	**(424,863)**	(51,500)
Interest paid for bank borrowings	**(7,842)**	(756)
Repayment of lease liabilities	**(35)**	–
Dividends paid	**–**	(101,872)
Capital contribution from non-controlling shareholders of subsidiaries	**2,171**	82,212
Proceeds from exercise of bonus warrants	**294**	284
Transaction costs attributable to issue of bonus warrants	**(577)**	(635)
Transaction costs attributable to issue of bonus shares	**(108)**	(108)
Payment on shares repurchased and cancelled	**(5,215)**	(19,990)
Drawdown on bank overdrafts	**13,250**	–
NET CASH FROM FINANCING ACTIVITIES	**178,533**	48,784
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(12,038)**	(91,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**74,795**	179,451
Effect of foreign exchange rate changes	**(5,122)**	(13,401)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**57,635**	74,795

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL

MECOM Power and Construction Limited (the "Company") is 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 the construction business, electric vehicle ("EV") business and steel structures business. Details of these businesses are set out in note 5.

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")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendment to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognized due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be recognized and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 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:

- 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.

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Amendments to IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments 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 associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates 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.

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 *"Impairment of Assets"* ("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 is not allocated to any asset, including goodwill, that 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates (Continued)

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 *"Financial Instrument"* ("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 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.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the group does not take into account adjustments to their carrying amount required by IAS 28 *"Investments in associates"* ("IAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 18 and 23.

Foreign currencies

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies (Continued)

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. MOP) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 financial statements and the corresponding tax bases 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 deferred tax 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

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 other than freehold lands and construction in progress. 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.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 other than freehold land and properties under construction 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.

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 to determine whether there is any indication that these 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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(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

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the 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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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 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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

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.

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;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

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

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.

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.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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.

(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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(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 90 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, trade-nature amounts due from related companies, and contract assets where the corresponding adjustment is recognised through a loss allowance account.

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.

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 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(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 trade and other payables, retention payables 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision of ECL for trade receivables and contract assets

The Group accesses ECL for all trade receivables 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 and contract assets are disclosed in notes 32b, 19 and 18, respectively.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the current year, the Group has diversified its existing business by entry into the steel structures business, and it is considered as a new operating and reportable segment by the CODM. The Group's reportable segments under IFRS 8 *Operating Segments* are therefore as follows:

(1) Construction business – the provision of construction services, including construction and fitting out works, high voltage power substation construction and its system installation works, electrical and mechanical ("E&M") engineering services works, and provision of facilities management services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) EV business – the provision of EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

(3) Steel structures business – the sale and processing of new material steel structures.

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

	2023 MOP'000	2022 MOP'000
Construction business		
Construction and fitting out works	231,066	448,165
High voltage power substation construction and its system installation works	10,353	27,424
E&M engineering services works	84,667	165,497
Facilities management services	138,240	83,490
	464,326	724,576
EV business		
Sale of EV charging systems	63	677
Subscription fee income	1,613	542
	1,676	1,219
Steel structures business		
Sale and processing of new material steel structures	1,030,391	616,121
	1,496,393	1,341,916
Timing of revenue recognition		
A point in time	1,030,454	616,798
Over time	465,939	725,118
	1,496,393	1,341,916

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information

Segment results represent the profit before tax resulted from each segment without allocation of certain other income and administrative expenses of head office and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Year ended 31 December 2023

	Construction business MOP'000	EV business MOP'000	Steel structures business MOP'000	Total 2023 MOP'000
Revenue from external customers	464,326	1,676	1,030,391	1,496,393
Intersegment revenue	349	–	–	349
	464,675	1,676	1,030,391	1,496,742
Elimination of intersegment revenue				(349)
Total revenue				1,496,393
Segment results	(27,192)	(7,735)	49,839	14,912
Central administration costs				(4,763)
Share of results of associates				937
Profit before tax				11,086

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

Year ended 31 December 2022

	Construction business MOP'000	EV business MOP'000	Steel structures business MOP'000	Total 2022 MOP'000
Revenue from external customers	724,576	1,219	616,121	1,341,916
Intersegment revenue	248	–	–	248
	724,824	1,219	616,121	1,342,164
Elimination of intersegment revenue				(248)
Total revenue				1,341,916
Segment results	78,290	(5,511)	29,279	102,058
Unallocated other income				89
Central administration costs				(5,738)
Share of results of associates				6,128
Profit before tax				102,537

(iii) Performance obligations for contracts with customers

Construction business – construction works

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 works 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 ranging 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 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Construction business – construction works (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.

Construction business – 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.

EV business

The Group provides EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

The Group recognises revenue from sale of EV charging systems at a point in time when the customer obtains control of the distinct good. Subscription fee income is recognised as a fixed-price contract, with contract terms generally ranging from less than one year to seven 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.

Steel structures business

The Group's steel structures business involves sale and processing of new material steel structures. The Group recognises revenue at a point in time when control of the goods has transferred, being when the goods have been shipped to the delivery location. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. The normal credit term is 30 days upon delivery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) 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 2023

	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	Subscription fee income MOP'000	Sale and processing of new material steel structures MOP'000	Total MOP'000
Within one year	143,014	39,287	205,785	105,569	166	462,396	956,217
More than one year but not more than two years	–	31,806	–	42,850	166	4,354	79,176
More than two years	–	–	–	6,097	608	–	6,705
	143,014	71,093	205,785	154,516	940	466,750	1,042,098

At 31 December 2022

	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	Subscription fee income MOP'000	Sale and processing of new material steel structures MOP'000	Total MOP'000
Within one year	245,963	62,470	220,509	96,916	93	434,751	1,060,702
More than one year but not more than two years	–	45,915	–	66,975	93	53,525	166,508
More than two years	–	–	–	4,175	384	–	4,559
	245,963	108,385	220,509	168,066	570	488,276	1,231,769

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(v) Geographical information

The Group's operations are located in Macau, Hong Kong, the People's Republic of China (the "PRC") and Cyprus.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023	2022	**2023**	2022
	MOP'000	MOP'000	**MOP'000**	MOP'000
Macau	**1,320,422**	1,205,124	**58,802**	60,333
The PRC	**139,190**	136,792	**197,298**	66,803
Hong Kong	**11,559**	–	**–**	–
Cyprus	**25,222**	–	**815**	–
	1,496,393	1,341,916	**256,915**	127,136

(vi) Information about major customers

Revenue from customers in respect of construction business, EV business and steel structures business contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	MOP'000	MOP'000
Customer A	**192,874**	476,651
Customer B	**299,230**	–
Customer C	**190,114**	–

6. OTHER INCOME

	2023	2022
	MOP'000	MOP'000
Bank interest income	**1,029**	1,328
Government grants *(note)*	**806**	89
Other income	**838**	52
	2,673	1,469

Note: During the year ended 31 December 2022, the Group recognised government grants of Hong Kong dollars ("HK$") 86,000 (equivalent to MOP89,000) in respect of Covid-19 related Subsidy for Business and Employment Support Scheme provided by the Hong Kong government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. OTHER GAINS AND LOSSES

	2023 MOP'000	2022 MOP'000
Exchange (loss) gain	(846)	245
Gain (loss) on disposal of property, plant and equipment	6,901	(17)
	6,055	228

8. FINANCE COSTS

	2023 MOP'000	2022 MOP'000
Interest expense on bank borrowings	7,842	756
Interest on lease liabilities	6	–
	7,848	756

9. PROFIT FOR THE YEAR

	2023 MOP'000	2022 MOP'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 10)*	9,675	8,867
Other staff costs:		
Salaries and other allowances	129,222	108,330
Retirement benefit scheme contributions	2,277	1,112
Total staff costs	141,174	118,309
Less: amounts included in cost of services	(105,754)	(96,463)
	35,420	21,846
Auditor's remuneration	2,590	2,498
Depreciation of property, plant and equipment	8,040	6,511
Depreciation of right-of-use assets	31	–
Legal and professional fees	1,700	1,704
Expense and cash outflow relating to short-term leases *(note)*	5,287	9,659
Write-off of inventories (included in cost of services)	416	–

Note: The Group regularly entered into short-term leases for rental premises, machineries and equipment. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

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

Year ended 31 December 2023

	Fee MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors *(note 1)*:					
Mr. Kuok Lam Sek ("Mr. Kuok")	–	4,200	350	1	4,551
Mr. Sou Kun Tou ("Mr. Sou")	–	4,200	350	1	4,551
	–	8,400	700	2	9,102
Independent non-executive directors *(note 2)*:					
Ms. Chan Po Yi, Pasty	191	–	–	–	191
Mr. Cheung Kiu Cho, Vincent	191	–	–	–	191
Mr. Lio Weng Tong	191	–	–	–	191
	573	–	–	–	573
	573	8,400	700	2	9,675

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Directors *(Continued)*

Year ended 31 December 2022

	Fee MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors *(note 1)*:					
Mr. Kuok	–	4,158	–	1	4,159
Mr. Sou	–	4,158	–	1	4,159
	–	8,316	–	2	8,318
Independent non-executive directors *(note 2)*:					
Ms. Chan Po Yi, Pasty	183	–	–	–	183
Mr. Cheung Kiu Cho, Vincent	183	–	–	–	183
Mr. Lio Weng Tong	183	–	–	–	183
	549	–	–	–	549
	549	8,316	–	2	8,867

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Employees

The five highest paid employees of the Group during the year included two directors (2022: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 MOP'000	2022 MOP'000
Salaries and other allowances	**6,246**	6,653
Discretionary bonus *(note)*	**750**	–
Retirement benefit scheme contributions	**1**	2
	6,997	6,655

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:

	2023 Number of employees	2022 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**2**	–

During the years ended 31 December 2023 and 2022, 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 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. DIVIDENDS

	2023 MOP'000	2022 MOP'000
2023 Interim – Nil (2022: 2022 Interim – HK 1.5 cents (equivalent to MOP 1.55 cents))	–	41,299
2022 Final – Nil (2022: 2021 Final – HK 3.3 cents (equivalent to MOP 3.40 cents))	–	60,573
	–	101,872

Subsequent to the end of the reporting period 2023 and 2022, no dividend had been declared by the Board.

12. INCOME TAX EXPENSE

	2023 MOP'000	2022 MOP'000
Current tax		
– Cyprus Corporate Income tax	661	–
– Macau Complementary Tax	7,056	12,566
– PRC Enterprise Income Tax	505	57
Over-provision in prior years	(2,702)	(1,753)
	5,520	10,870

The Company was incorporated in the Cayman Islands and is exempted from income tax. No provision for taxation in Hong Kong has been made as losses are resulted for subsidiaries operating in this jurisdiction.

Subsidiaries in Macau are subject to Macau Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Subsidiaries in Cyprus are subject to Cyprus Corporate Income Tax at a rate of 12.5% on the assessable income for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. 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:

	2023 MOP'000	2022 MOP'000
Profit before tax	**11,086**	102,537
Tax charge at Macau Complementary Tax rate of 12%	**1,330**	12,304
Tax effect of expenses not deductible for tax purpose	**4,626**	963
Tax effect of income not taxable for tax purpose	**(112)**	(993)
Tax effect of tax losses not recognised	**3,179**	1,143
Over-provision in prior years	**(2,702)**	(1,753)
Special complementary tax incentive	**(216)**	(216)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(585)**	(578)
Income tax expense for the year	**5,520**	10,870

At the end of the reporting period, the Group has unused tax losses of MOP30,681,000 (2022: MOP9,931,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of MOP29,793,000 (2022: MOP9,920,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2023 MOP'000	2022 MOP'000
2024	**3,048**	3,048
2025	**1,787**	1,787
2026	**16,494**	1,374
2027	**3,711**	3,711
2028	**4,753**	–
	29,793	9,920

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. (LOSS) EARNINGS PER SHARE

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

	2023 MOP'000	2022 MOP'000
(Loss) earnings		
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(11,585)**	81,344
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**3,994,082**	4,006,577

The weighted average number of ordinary shares for the purpose of earnings per share has been adjusted for the bonus issue of shares completed on 29 June 2023. As such, earnings per share for the year ended 31 December 2022 have been restated.

The computation of diluted (loss) earnings per share does not assume the exercise from the Company's outstanding bonus warrants as the exercise price of those bonus warrants was higher than the average market price of the Company's shares for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. 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	Construction in progress MOP'000	Total MOP'000
COST							
At 1 January 2022	3,051	40,889	244	1,706	43,980	–	89,870
Additions	–	7,606	240	392	50,982	9,595	68,815
Exchange difference	(8)	(544)	(7)	(1)	(1,540)	(290)	(2,390)
Disposals	–	(18)	–	–	–	–	(18)
At 31 December 2022	3,043	47,933	477	2,097	93,422	9,305	156,277
Additions	678	8,218	1,392	188	–	116,184	126,660
Exchange difference	4	(27)	(7)	–	53	(657)	(634)
Disposals	–	(11,330)	(44)	–	–	–	(11,374)
At 31 December 2023	3,725	44,794	1,818	2,285	93,475	124,832	270,929
DEPRECIATION							
At 1 January 2022	2,512	30,720	143	639	2,596	–	36,610
Provided for the year	210	4,538	87	285	1,391	–	6,511
Exchange difference	(1)	(86)	(2)	–	(15)	–	(104)
Eliminated upon disposals	–	(1)	–	–	–	–	(1)
At 31 December 2022	2,721	35,171	228	924	3,972	–	43,016
Provided for the year	164	5,514	172	314	1,876	–	8,040
Exchange difference	–	(16)	(1)	–	(5)	–	(22)
Eliminated upon disposals	–	(11,330)	(44)	–	–	–	(11,374)
At 31 December 2023	2,885	29,339	355	1,238	5,843	–	39,660
CARRYING VALUES							
At 31 December 2023	840	15,455	1,463	1,047	87,632	124,832	231,269
At 31 December 2022	322	12,762	249	1,173	89,450	9,305	113,261

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The property, plant and equipment, except for construction in progress, 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 and the PRC under long-term lease.

15. RIGHT-OF-USE ASSETS

	Lease property MOP'000
As at 1 January 2023	–
As at 31 December 2023	351
For the year ended 31 December 2023	
Depreciation charge	31
Total cash outflow for leases	35
Additions to right-of-use assets	382

The Group leases a staff quarter for its employees for the year. Lease contract is entered into for a fixed term of 2 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2023, the Group entered into a new lease contract for its lease property with a monthly rental of EURO 2,000 for a lease period from November 2023 to November 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. INTERESTS IN ASSOCIATES

	2023 MOP'000	2022 MOP'000
Cost of unlisted investment in an associate	1,500	1,500
Share of post-acquisition profits and other comprehensive income	13,312	12,375
	14,812	13,875

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

Name of entities	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2023	2022	2023	2022	
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%	25%	25%	Construction works and civil engineering
Moreira Dos Santos Mobilidade Eléctrica Lda. ("MS E. Mobi")	Macau	Macau	49%	49%	49%	49%	Provision of EV services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the associates

Summarised financial information in respect of CCM – EHY JV, CSHK – CCM – EHY JV and MS E. Mobi 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

	2023 MOP'000	2022 MOP'000
Current and total assets	2,301	2,309
Current and total liabilities	(386)	(395)
Revenue	–	–
Loss for the year	–	(72)

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

	2023 MOP'000	2022 MOP'000
Net assets of CCM – EHY JV	1,915	1,914
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	479	479

CSHK – CCM – EHY JV

	2023 MOP'000	2022 MOP'000
Current and total assets	410,369	761,187
Current and total liabilities	(358,980)	(713,599)
Revenue	147,597	2,107,426
Profit for the year	3,801	24,619

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the associates *(Continued)*

CSHK – 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:

	2023 MOP'000	2022 MOP'000
Net assets of CSHK – CCM – EHY JV	51,389	47,588
Proportion of the Group's ownership interest in CSHK – CCM – EHY JV	25%	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	12,847	11,897

MS E. Mobi

	2023 MOP'000	2022 MOP'000
Non-current assets	1,983	2,033
Current assets	160	367
Current and total liabilities	–	(230)
Revenue	404	1,112
Loss for the year	(27)	(90)

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

	2023 MOP'000	2022 MOP'000
Net assets of MS E. Mobi	2,143	2,170
Proportion of the Group's ownership interest in MS E. Mobi	49%	49%
The Group's share of net assets of MS E. Mobi	1,050	1,063
Goodwill	436	436
Carrying amount of Group's interest in MS E. Mobi	1,486	1,499

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. INVENTORIES

The inventories represent finished goods from the steel structures business and are stated at the lower of cost or net realisable value.

18. CONTRACT ASSETS

	2023 MOP'000	2022 MOP'000
Contract assets from contract with customers	**114,188**	85,931
Less: Allowance for credit losses *(note 32b)*	**(2,765)**	(1,619)
	111,423	84,312

	2023 MOP'000	2022 MOP'000
Represented by:		
Construction and fitting out works	**80,630**	70,024
High voltage power substation construction and its system installation works	**2,500**	2,491
E&M engineering services works	**27,760**	11,266
Facilities management services	**533**	531
	111,423	84,312

	2023 MOP'000	2022 MOP'000
Analysed as current		
Unbilled revenue	**43,236**	–
Retention receivables	**68,187**	84,312
	111,423	84,312

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

Construction business – construction works

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18. CONTRACT ASSETS *(Continued)*

Construction business – construction works *(Continued)*

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 assets to trade receivables when defect liability period expires and certificate of making good defects is obtained.

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

At 31 December 2023, retention money held by customers for contract works amounted to MOP68,187,000 (2022: MOP84,312,000), of which MOP2,333,000 (2022: MOP2,324,000) 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.

	2023 MOP'000	2022 MOP'000
Within one year	**24,233**	6,331
After one year	**43,954**	77,981
	68,187	84,312

At 31 December 2023, included in the Group's contract assets are retention money with a carrying amount of MOP4,247,000 (2022: MOP6,198,000), which are past due but not impaired as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

Details of the impairment assessment of contract assets are set out in note 32b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES

	2023 MOP'000	2022 MOP'000
Trade receivables from contracts with customers	**479,486**	557,734
Less: allowance for credit losses *(note 32b)*	**(33,580)**	(8,535)
	445,906	549,199
Other receivables, deposits and prepayments		
– Deposits	**1,060**	912
– Prepayments	**89,022**	79,036
– Others	**63,477**	23,096
Less: allowance for credit losses *(note 32b)*	**(909)**	–
	598,556	652,243
Analyse as:		
Current assets	**588,073**	652,243
Non-current assets *(Note)*	**10,483**	–
	598,556	652,243

Note: Amount represents the deposit paid for property, plant and equipment in respect of the construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC.

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:

	2023 MOP'000	2022 MOP'000
0 – 90 days	**229,551**	448,019
91 – 365 days	**185,941**	97,995
1 – 2 years	**29,023**	2,761
Over 2 years	**1,391**	424
	445,906	549,199

At 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of MOP279,566,000 (2022: MOP246,004,000) which are past due as at the reporting date. Out of the past due balances, MOP192,383,000 (2022: MOP89,865,000) has been past due more than 90 days and is not considered as in default. Majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history and forward-looking information. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 32b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20. AMOUNTS WITH RELATED COMPANIES

			Maximum amount outstanding during	
	2023	2022	**2023**	2022
	MOP'000	MOP'000	**MOP'000**	MOP'000
Amounts due from related companies				
Non-trade nature				
ACEL Engineering Company Limited *(note a)*	**1,123**	3,141	**3,141**	3,142
CSHK – CCM – EHY JV	**3,933**	3,360	**3,933**	3,360
	5,056	6,501		
Trade nature				
CSHK – CCM – EHY JV	**–**	3,270		
Less: allowance for credit losses *(note 32b)*	**–**	(42)		
	–	3,228		
	5,056	9,729		

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), net of allowance for credit losses, presented based on invoice date at the end of the reporting period.

	2023	2022
	MOP'000	MOP'000
1 – 2 years	**–**	3,228

At 31 December 2022, included in the Group's amount due from a related company (trade nature) was recoverable with a carrying amount of MOP3,228,000 (2023: Nil) which was past due as at the reporting date and was not considered as in default. 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 32b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20. AMOUNTS WITH RELATED COMPANIES *(Continued)*

	2023 MOP'000	2022 MOP'000
Amounts due to related companies		
Non-trade nature		
Lei Hong Engineering Limited *(note a)*	**147**	197
Sisint Engenharia Lda *(note b)*	**–**	70
	147	267

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

Notes:

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

(b) Mr. Pedro Mereira dos Santoa, who holds 51% shareholding in MS E. Mobi, an associate of the Group, has beneficial interests over the related company.

21. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group and the foreign exchange forward contracts entered into by the Group. At 31 December 2023, the pledged bank deposits carried interest rate range of 0.14% – 3.8% (2022: 0.21% – 1.95%) per annum and with an original maturity of three months to six months.

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 32b.

Bank overdrafts carry interest at market rates at Prime rate less 1.375% per annum (2022: 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 3% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. TRADE PAYABLES AND ACCRUED CHARGES

	2023 MOP'000	2022 MOP'000
Trade payables	**170,422**	226,241
Retention payables	**33,136**	28,269
Other payables and accrued charges		
– Accrued staff costs	**21,235**	12,379
– Accrued construction costs	**60,313**	78,248
– Receipt in advance	**435**	41,733
– Other accruals	**10,416**	16,225
	295,957	403,095

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:

	2023 MOP'000	2022 MOP'000
0 – 90 days	**42,509**	111,462
91 – 365 days	**101,489**	114,779
1 – 2 years	**26,424**	–
	170,422	226,241

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.

	2023 MOP'000	2022 MOP'000
On demand or within one year	**24,326**	1,247
After one year	**8,810**	27,022
	33,136	28,269

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23. CONTRACT LIABILITIES

	2023 MOP'000	2022 MOP'000
Contract liabilities from contract with customers in relation to steel structures business	19,595	–

24. BANK BORROWINGS

	2023 MOP'000	2022 MOP'000
Bank loans		
– repayable within one year	235,146	90,640
– repayable more than one year but not exceeding two years	10,450	–
– repayable more than two years but not more than five years	21,602	–
	267,198	90,640
Less: Amount due shown under current liabilities	(235,146)	(90,640)
Amounts shown under non-current liabilities	32,052	–
Analysis by:		
– Secured *(note)*	72,614	–
– Unsecured	194,584	90,640
	267,198	90,640

At 31 December 2023, the Group held variable-rate bank loans with interest rates ranged from Prime rate less 1% to 2% (2022: Prime rate less 1.75% to 2%) and Loan Prime Rate ("LPR") plus 0.25% (2022: Nil) for the floating rate bank loans in Macau and the PRC, respectively.

In addition, the Group has fixed-rate bank loans in PRC with interest rate ranging from 3.5% to 3.7% (2022: Nil) and LPR less 0.25% (2022: Nil).

Note: At 31 December 2023, the Group's bank loans amounted to MOP72,614,000 (2022: Nil) are secured by the leasehold land held by the Group amounted to MOP48,010,000 (2022: Nil) and construction in progress of MOP124,832,000 (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25. LEASE LIABILITIES

	2023 MOP'000	2022 MOP'000
Lease liabilities payable:		
Within one year	185	–
Within a period of more than one year but not more than two years	169	–
	354	–
Less: Amount due for settlement within 12 months shown under current liabilities	(185)	–
Amount due for settlement after 12 months shown under non-current liabilities	169	–

The incremental borrowing rate applied to lease liabilities is 10% (2022: Nil).

26. SHARE CAPITAL

	Number of shares	Amount MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	5,000,000,000	51,500

	Number of shares	Amount MOP'000
Issued and fully paid:		
At 1 January 2022	1,782,347,000	18,358
Shares repurchased and cancelled *(note a)*	(9,384,000)	(97)
Exercise of bonus warrants *(note 26) (note b)*	61,700	1
Bonus issue of shares *(note c)*	891,039,150	9,178
At 31 December 2022	2,664,063,850	27,440
Shares repurchased and cancelled *(note d)*	(10,254,000)	(105)
Exercise of bonus warrants *(note 26) (note e)*	103,641	1
Bonus issue of shares *(note f)*	1,332,083,725	13,720
At 31 December 2023	3,985,997,216	41,056

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. SHARE CAPITAL *(Continued)*

Notes:

(a) The Company repurchased 100,000, 230,000, 8,732,000 and 322,000 shares of the Company in January, March, September and October 2022 for an aggregate consideration of approximately HK$371,000 (equivalent to MOP382,000), HK$830,000 (equivalent to MOP855,000), HK$17,651,000 (equivalent to MOP18,181,000) and HK$555,000 (equivalent to MOP572,000), respectively, and cancelled those shares in February, April, September, October and November 2022.

(b) The bonus warrants were issued to the qualifying shareholders on the basis of one warrant for every ten shares held on 20 May 2022 (the "2022 Warrants"). A total of 178,201,700 2022 Warrants were issued by the Company to the qualifying shareholders. During the year ended 31 December 2022, 61,700 2022 Warrants have been exercised at a total consideration of approximately MOP284,000.

(c) The Board recommended a bonus issue of 891,039,150 new shares to the existing shareholders of the Company on the basis of one bonus share for every two existing shares held by the Shareholders of the Company on 7 June 2022, and the bonus issue was completed on 29 June 2022.

(d) The Company repurchased 10,254,000 shares of the Company in September 2023 for an aggregate consideration of approximately HK$5,064,000 (equivalent to MOP5,215,000) and cancelled those shares in October 2023.

(e) The bonus warrants were issued to the qualifying shareholders on the basis of one warrant for every ten shares held on 18 May 2023 (the "2023 Warrants"). A total of 266,408,595 2023 Warrants were issued by the Company to the qualifying shareholders. During the year ended 31 December 2023, 103,601 2022 Warrants and 40 2023 Warrants have been exercised at a total consideration of approximately HK$294,000.

(f) The Board recommended a bonus issue of 1,332,083,725 new shares to the existing shareholders of the Company on the basis of one bonus share for every two existing shares held by the shareholders of the Company on 6 June 2023, and the bonus issue was completed on 29 June 2023.

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$	Consideration paid HK$'000
September 2023	10,254,000	0.63	0.40	5,064

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. SHARE CAPITAL *(Continued)*

During the year ended 31 December 2022, 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 2022	100,000	3.66	3.64	371
March 2022	230,000	3.58	3.56	830
September 2022	8,732,000	2.14	1.78	17,651
October 2022	322,000	1.89	1.55	555
	9,384,000			19,407

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.

27. 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 3 years and 10 months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

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 one share of the Company.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The 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, representing approximately 3.0% of the total shares in issue as at the date of this annual report. 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.

The number of Options available for grant under the Share Option Scheme as at 1 January 2023 and 31 December 2023 was 118,100,000.

No share options were outstanding as at 31 December 2023 and 2022 and no share-based compensation expense was recognised for the years ended 31 December 2023 and 2022.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 **MOP'000**	2022 MOP'000
Foreign exchange forward contracts – liabilities	**1,412**	–
Analysis by:		
Current	**1,412**	–

As at 31 December 2023, the Group's derivative financial instruments are secured by a pledged bank deposit of approximately MOP4,279,000 (2022: Nil)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Foreign exchange forward contracts

The following table details the foreign exchange forward contracts outstanding at the end of the reporting period:

Outstanding contracts	Forward exchange rates 2023	Forward exchange rates 2022	Amount in foreign currency 2023 '000	Amount in foreign currency 2022 '000	Total notional amount 2023 MOP'000	Total notional amount 2022 MOP'000	Fair value 2023 MOP'000	Fair value 2022 MOP'000
Buy Renminbi ("RMB") and sell HK$ less than 1 month *(Note)*	**RMB1/ HK$1.1507**	–	**RMB8,690**	–	**10,300**	–	**(480)**	–
Buy Renminbi ("RMB") and sell HK$ less than 1 month *(Note)*	**RMB1/ HK$1.1519**	–	**RMB8,681**	–	**10,300**	–	**(472)**	–
Buy Renminbi ("RMB") and sell HK$ less than 1 month *(Note)*	**RMB1/ HK$1.1531**	–	**RMB8,672**	–	**10,300**	–	**(460)**	–
							(1,412)	–

Note: The foreign exchange forwards contracts will be settled in net on maturity of the contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

29. 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 transactions	2023 MOP'000	2022 MOP'000
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Short-term office rental expenses paid	686	686
CSHK – CCM – EHY JV *(note a)*	Management expenses paid	382	2,568
MS E. Mobi *(note a)*	Construction contract income received	–	283
Sisint Engenharia Lda *(note 20b)*	Consultancy expenses paid	210	840

Note:

(a) CCM – EHY JV, CSHK – CCM – EHY JV and MS E. Mobi are associates of the Group.

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 2023 are MOP14,095,000 (2022: MOP14,029,000) and MOP21,000 (2022: MOP21,000).

30. CAPITAL COMMITMENTS

As at 31 December 2023, the Group had approximately MOP63,874,000 (2022: MOP146,236,000) capital commitments in respect of the construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC. This amount was contracted for but not provided in the consolidated financial statements.

31. 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 the borrowings and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2023 MOP'000	2022 MOP'000
Financial assets		
Amortised cost	**596,995**	692,101
Financial liabilities		
Amortised cost	**484,942**	387,150

32b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables and other receivables, amounts due from related companies, bank balances and pledged bank deposits, trade and other payables, retention payables 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.

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$ and RMB. The management of the Group considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in HK$, and HK$ 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 Group's currency risk mainly arises from the pledged bank deposits, bank balances and cash, trade and other receivables, amounts due from related companies, trade payables and retention payables denominated in HK$ and RMB, other than functional currency of the relevant group entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk (Continued)

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

	Assets		Liabilities	
	2023 MOP'000	2022 MOP'000	**2023 MOP'000**	2022 MOP'000
HK$	**316,016**	446,736	**339,984**	311,155
RMB	**–**	–	**541**	1,901

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 balances and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Prime Rate arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

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 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At 31 December 2023 and 2022, 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 companies and contract assets arising from contracts with customers

At 31 December 2023, 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 44% (2022: 55%). The major customers of the Group are certain reputable organisations 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, 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, 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 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, 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 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. 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/ trade-nature amounts due from related companies/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default or 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 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. 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	12m ECL or lifetime ECL	2023 Gross carrying amount MOP'000	2022 Gross carrying amount MOP'000
Contract assets	18	N/A	Note	Lifetime ECL (not credit-impaired)	112,967	85,931
	18	N/A	Loss	Lifetime ECL (credit-impaired)	1,221	–
Trade receivables	19	N/A	Note	Lifetime ECL (not credit-impaired)	455,442	557,734
	19	N/A	Loss	Lifetime ECL (credit-impaired)	24,044	–
Amounts due from related companies (trade-nature)	20	N/A	Note	Lifetime ECL (not credit-impaired)	–	3,270
Other receivables	19	N/A	Note	Lifetime ECL (not credit-impaired)	63,477	24,008
Amounts due from related companies (non-trade nature)	20	N/A	Low risk	12m ECL	5,056	6,501
Bank balances, and pledged bank deposits	21	Baa3 to Aaa	N/A	12m ECL	82,405	109,165

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 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. 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 for trade receivables, trade-nature amounts due from related companies, contract assets and other receivables which are assessed individually at 31 December 2023.

	2023				2022			
Internal credit rating	Average loss rate	Trade receivables MOP'000	Other receivables 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	0.77%	83,196	7,035	108,662	1.34%	146,859	3,270	14,387
Watch list	1.31%	355,626	56,442	4,161	1.36%	385,300	–	70,323
Doubtful	16.23%	16,620	–	144	6.72%	25,575	–	1,221
Loss	100%	24,044	–	1,221	100%	–	–	–
		479,486	63,477	114,188		557,734	3,270	85,931

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 2023, the Group provided MOP27,058,000 (2022: MOP1,174,000) for impairment allowances for trade receivables, trade-nature amounts due from related companies, contract assets and other receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. 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		Other receivables	Trade-nature amounts due from related companies	Contracts assets		
	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired) MOP'000	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired) MOP'000	Total MOP'000
As at 1 January 2022	6,982	–	–	295	1,745	–	9,022
Changes due to financial instruments recognised as at 1 January 2022:							
– Transfer to credit-impaired	(271)	271	–	–	(447)	447	–
– Impairment losses recognised	1,760	–	–	42	86	–	1,888
– Impairment losses reversed	(6,711)	–	–	(295)	(1,298)	–	(8,304)
– Write-off	–	(271)	–	–	–	(447)	(718)
New financial assets originated	6,775	–	–	–	1,533	–	8,308
As at 31 December 2022	8,535	–	–	42	1,619	–	10,196
Changes due to financial instruments recognised as at 1 January 2023:							
– Transfer to credit-impaired	(24,044)	24,044	–	–	(1,221)	1,221	–
– Impairment losses recognised	28,262	–	909	–	1,154	–	30,325
– Impairment losses reversed	(5,371)	–	–	(42)	(729)	–	(6,142)
New financial assets originated	2,154	–	–	–	721	–	2,875
As at 31 December 2023	**9,536**	**24,044**	**909**	**–**	**1,544**	**1,221**	**37,254**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

	2023 Increase (decrease) in lifetime ECL		2022 Increase (decrease) in lifetime ECL	
	Not credit-impaired MOP'000	**Credit-impaired MOP'000**	Not credit-impaired MOP'000	Credit-impaired MOP'000
One trade debtor with a gross carrying amount of MOP24,044,000 (2022: MOP271,000) defaulted and transferred to credit-impaired	**(24,044)**	**24,044**	(271)	271
Additional impairment losses recognised with gross carrying amount of MOP251,409,000 (2022: MOP28,801,000)	**28,262**	**–**	1,760	–
Settlement in full of trade debtors with gross carrying amount of MOP199,133,000 (2022: MOP205,691,000)	**(5,371)**	**–**	(6,711)	–
New trade receivables with gross carrying amount of MOP228,077,000 (2022: MOP528,933,000)	**2,154**	**–**	6,775	–

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. 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 management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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	3 months to 1 year MOP'000	Total 1 to 5 years MOP'000	Total undiscounted cash flows MOP'000	Carrying amount MOP'000
At 31 December 2023						
Non-derivative financial liabilities						
Trade payables	–	42,509	101,489	26,424	170,422	170,422
Other payables	–	435	–	–	435	435
Retention payables	–	24,326	–	8,810	33,136	33,136
Amounts due to related companies	–	147	–	–	147	147
Bank overdrafts	4.75	157	13,426	–	13,583	13,250
Bank borrowings	3.40-5.13	96,334	145,155	33,324	274,813	267,198
Lease liabilities	10.00	52	156	176	384	354
		163,960	260,226	68,734	492,920	484,942

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	Total 1 to 6 years MOP'000	Total undiscounted cash flows MOP'000	carrying amount MOP'000
At 31 December 2022						
Non-derivative financial liabilities						
Trade payables	–	111,462	114,779	–	226,241	226,241
Other payables	–	28,059	13,674	–	41,733	41,733
Retention payables	–	1,247	–	27,022	28,269	28,269
Amounts due to related companies	–	267	–	–	267	267
Bank borrowings	3.88 – 4.13	51,500	39,140	–	90,640	90,640
		192,535	167,593	27,022	387,150	387,150

Derivative financial instruments

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. FINANCIAL INSTRUMENTS *(Continued)*

32b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Derivative financial instruments (Continued)

	Within 1 year MOP'000	Total undiscounted cash flows MOP'000	Carrying amount MOP'000
At 31 December 2023			
Foreign exchange forward			
Contracts – gross settlement			
– inflow	30,900	30,900	30,900
– outflow	(32,312)	(32,312)	(32,312)
	(1,412)	(1,412)	(1,412)
Foreign exchange forward			
Contract – net settlement			
– outflow	(1,412)	(1,412)	(1,412)

32c. 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 carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. 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 21), 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:

	2023 **MOP'000**	2022 MOP'000
Issued to the Group by banks	**56,583**	151,283

At 31 December 2023, the Group has obtained total credit facilities of approximately MOP133,900,000 (2022: MOP206,000,000) for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP20,409,000 (2022: MOP34,370,000); (ii) the promissory notes of approximately MOP309,000,000 (31 December 2022: MOP309,000,000); and (iii) the corporate guarantee provided by the Company.

34. RETIREMENT BENEFIT PLANS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by The Government of the Macau Special Administrative Region. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The plans for employees in Hong Kong are a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee per month, which contribution is matched by the employees.

Employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

During the year ended 31 December 2023, a total cost of MOP2,279,000 (2022: MOP1,114,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under the retirement benefits scheme utilised to reduce future contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

35. 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	Bank borrowings MOP'000	Dividend payable MOP'000	Bank overdrafts MOP'000	Lease liabilities MOP'000	Total MOP'000
At 1 January 2022	1,258	–	–	–	–	1,258
Financing cash flows *(note)*	(991)	89,884	(101,872)	–	–	(12,979)
Dividend declared	–	–	101,872	–	–	101,872
Interest expenses	–	756	–	–	–	756
At 31 December 2022	267	90,640	–	–	–	90,907
Financing cash flows *(note)*	(120)	168,873	–	13,250	(35)	181,968
New lease entered	–	–	–	–	376	376
Interest expenses	–	7,842	–	–	6	7,848
Exchange difference	–	(157)	–	–	7	(150)
At 31 December 2023	**147**	**267,198**	**–**	**13,250**	**354**	**280,949**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 MOP'000	2022 MOP'000
Non-current asset		
Investments in subsidiaries	**147,204**	147,204
Current assets		
Other receivables	**713**	538
Amounts due from subsidiaries	**228,135**	237,608
Cash and cash equivalents	**570**	1,243
	229,418	239,389
Current liability		
Accrued charges	**2,178**	1,844
Dividend payable	**2**	–
	2,180	1,844
Net current assets	**227,238**	237,545
Net assets	**374,442**	384,749
Capital and reserves		
Share capital	**41,056**	27,440
Reserves	**333,386**	357,309
Total equity	**374,442**	384,749

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Movement on the Company's reserves

	Share premium MOP'000	(Accumulated losses) retained earnings MOP'000	Total MOP'000
At 1 January 2022	384,277	2,166	386,443
Profit and total comprehensive income for the year	–	102,269	102,269
Shares repurchased and cancelled	(19,893)	–	(19,893)
Bonus issue of shares	(9,178)	–	(9,178)
Transaction costs attributable to issue of bonus shares	(108)	–	(108)
Exercise of bonus warrants	283	–	283
Transaction costs attributable to exercise of bonus warrants	(635)	–	(635)
Dividends paid	–	(101,872)	(101,872)
At 31 December 2022	354,746	2,563	357,309
Loss and total comprehensive expense for the year	–	(4,701)	(4,701)
Shares repurchased and cancelled	(5,110)	–	(5,110)
Bonus issue of shares	(13,720)	–	(13,720)
Transaction costs attributable to issue of bonus shares	(108)	–	(108)
Exercise of bonus warrants	293	–	293
Transaction costs attributable to exercise of bonus warrants	(577)	–	(577)
At 31 December 2023	**335,524**	**(2,138)**	**333,386**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. 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 subsidiaries	Place of operation	Place and the date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Company as at 31 December 2023	Equity interest attributable to the Company as at 31 December 2022	Principal activities
Directly held:						
MECOM EHY	British Virgin Islands ("BVI")	BVI 10 May 2017	HK$1	100%	100%	Investment holding
MU Charging Global Limited	BVI	BVI 10 May 2017	HK$1	100%	100%	Investment holding
MECOM Sun Hung Yip	BVI	BVI 10 May 2017	HK$1	100%	100%	Investment holding
MECOM Investment (BVI) Limited	BVI	BVI 14 September 2021	HK$1	100%	100%	Investment holding
MECOM EHY (Cyprus) Limited	BVI	BVI 30 November 2022	HK$1	100%	100%	Investment holding
Indirectly held:						
EHY	Macau	Macau 7 September 2010	MOP1,100,000	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%	100%	Provision of EV charging services
MUCHARGING (Macau) Limited	Macau	Macau 7 December 2020	MOP50,000	100%	100%	Provision of EV charging services
自由充(廣東)新能源汽車有限公司 (MU (Guangdong) New Energy Vehicle Co., Ltd.)*^	The PRC	The PRC 26 February 2021	HK$6,000,000	100%	100%	Provision of EV charging services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. INVESTMENTS IN AND PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of operation	Place and the date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Company as at 31 December 2023	31 December 2022	Principal activities
澳能智匯能源科技(廣州)有限公司 (MECOM Zhihui Energy Technology (Guangzhou) Co., Ltd)*^	The PRC	The PRC 18 March 2021	RMB10,000,000	100%	70%	Provision of EV charging services
MECOM Investment Limited	Hong Kong	Hong Kong 24 September 2021	HK$100	100%	100%	Investment holding and trading of construction materials and equipment
澳能國際新材料科技(廣東)有限公司 (MECOM International New Material Technology (Guangdong) Co., Ltd.)*^	The PRC	The PRC 10 November 2021	HK$200,000,000	60%	60%	Trading of construction materials and equipment
Ao Gang Construction (Macau) Limited	Macau	Macau 17 February 2022	MOP50,000	60%	60%	Trading of construction materials and equipment
Ao Gang Construction (Hong Kong) Limited	Hong Kong	Hong Kong 14 April 2022	HK$100	60%	60%	Trading of construction materials and equipment
EHY (Cyprus) Limited	Cyprus	Cyprus 10 March 2023	EUR200,000	100%	N/A	Provision of facilities management services
MECOM Greenbuild (Singapore) Pte Ltd	Singapore	Singapore 6 June 2023	SGD1,000,000	42%	N/A	Inactive
江門科沛達金屬材料有限責任公司 (Jiangmen Kepeida Metal Materials Co., Ltd.)* ^	The PRC	The PRC 1 September 2023	HKD1,000,000	60%	N/A	Trading of construction materials and equipment

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

* the English translation of the companies' names is for reference only. The official name of these companies is in Chinese.

^ These subsidiaries are foreign owned enterprise established in the PRC.

Financial Summary

	Year ended 31 December				
	2023 MOP'000	2022 MOP'000	2021 MOP'000	2020 MOP'000	2019 MOP'000
RESULTS					
Revenue	**1,496,393**	1,341,916	911,982	707,313	498,945
Profit before tax	**11,086**	102,537	144,504	56,958	64,043
Income tax expense	**(5,520)**	(10,870)	(18,038)	(6,038)	(7,711)
Profit for the year	**5,566**	91,667	126,466	50,920	56,332
Attributable to:					
Owners of the Company	**(11,585)**	81,344	126,466	50,920	56,332
Non-controlling interests	**17,151**	10,323	–	–	–
	5,566	91,667	126,466	50,920	56,332
Basic (loss) earnings per share (MOP cents)	**(0.29)**	2.03*	4.72	2.84	4.70
Diluted (loss) earnings per share (MOP cents)	**(0.29)**	2.03*	4.72	2.84	4.70

	At 31 December				
	2023 MOP'000	2022 MOP'000	2021 MOP'000	2020 MOP'000	2019 MOP'000
ASSETS AND LIABILITIES					
Total assets	**1,088,292**	995,433	682,787	610,593	634,824
Total liabilities	**(608,327)**	(512,034)	(235,259)	(171,561)	(171,889)
Net assets	**479,965**	483,399	447,528	439,032	462,935
CAPITAL AND RESERVES					
Share capital	**41,056**	27,440	18,358	12,295	12,340
Reserves	**335,058**	369,203	429,170	426,737	450,595
Non-controlling interests	**103,851**	86,756	–	–	–
Total equity	**479,965**	483,399	447,528	439,032	462,935

* The earnings per share for the year ended 31 December 2022 was adjusted and restated for the bonus issue of shares completed on 29 June 2023.