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## **MECOM POWER AND CONSTRUCTION LIMITED**

**澳能建設控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1183)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “Board”) of directors (the “Directors”) of MECOM Power and Construction Limited (“MECOM” or the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020 (the “Previous Period”) as follows:

#### **FINANCIAL HIGHLIGHTS FOR THE PERIOD**

- Revenue increased by 43.2% to MOP414.8 million (Previous Period: MOP289.6 million).
- The Group diversified its existing business by introducing the electric vehicle charging solutions and systems business in 2021.
- Gross margin increased to 19.0% (Previous Period: 9.1%). Profit increased by 319.7% to MOP54.6 million (Previous Period: MOP13.0 million).
- Gearing ratio was zero (31 December 2020: zero) with no bank borrowings (31 December 2020: nil). Total cash and bank balances (including fixed bank deposits) were MOP180.0 million (31 December 2020: MOP175.3 million).
- Aggregate value of contracts on hand yet to complete was MOP1.20 billion (31 December 2020: MOP1.28 billion).
- Recommended interim dividend of HK2.8 cents per share (HK1.0 cent per share for the Previous Period).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Expressed in Macanese Pataca ("MOP"))

		Six months ended 30 June	
		2021	2020
	Notes	MOP'000	MOP'000
		(Unaudited)	(Unaudited)
Revenue	3	414,849	289,635
Cost of services		(335,821)	(263,217)
Gross profit		79,028	26,418
Other income		940	2,449
Impairment losses under expected credit loss model, net of reversal		(1,264)	(806)
Administrative expenses		(15,822)	(15,858)
Share of profit of associates		353	263
Profit before tax		63,235	12,466
Income tax (expense) credit	4	(8,669)	534
Profit and total comprehensive income for the period		54,566	13,000
Basic and diluted earnings per share (MOP cents)	5	3.05	0.72*

\* The earnings per share of the Group for the six months ended 30 June 2020 was adjusted and restated for the bonus issue of shares in June 2021.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 <i>MOP'000</i> (Unaudited)	31 December 2020 <i>MOP'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		52,621	50,995
Interests in associates		2,908	1,055
		<u>55,529</u>	<u>52,050</u>
<b>Current assets</b>			
Contract assets	6	107,889	77,369
Debtors, deposits and prepayments	7	260,423	225,850
Amounts due from related companies	8	25,518	22,840
Pledged bank deposits		57,629	57,138
Fixed bank deposits		48,011	22,683
Bank balances and cash		132,008	152,663
		<u>631,478</u>	<u>558,543</u>
<b>Current liabilities</b>			
Amounts due to related companies	8	614	2,785
Creditors and accrued charges	9	201,008	155,117
Tax liabilities		22,300	13,659
Dividend payable		18,577	—
		<u>242,499</u>	<u>171,561</u>
<b>Net current assets</b>		<u>388,979</u>	<u>386,982</u>
<b>Net assets</b>		<u><u>444,508</u></u>	<u><u>439,032</u></u>
<b>Capital and reserves</b>			
Share capital		18,409	12,295
Reserves		426,099	426,737
<b>Total equity</b>		<u><u>444,508</u></u>	<u><u>439,032</u></u>

## NOTES:

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in 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. During the Period, the Group has diversified its existing business by introducing the electric vehicle (“EV”) charging solution and system services.

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the consolidated financial statements for the year ended 31 December 2020 of the Group.

#### Application of amendments to IFRSs

In the current interim period, the Group has applied the amendments to International Financial Reporting Standards (“IFRSs”) issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16  
Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

Covid-19-Related Rent Concessions  
Interest Rate Benchmark Reform-Phase 2

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

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on (1) construction and fitting out works, (2) high voltage power substation construction and its system installation works, (3) E&M engineering services works, (4) facilities management services, (5) sale of EV charging systems; and (6) subscription fee income.

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance is focused on the category of services provided. During the current period, the Group has diversified its existing business by introducing the EV charging solutions and system business. 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, E&M engineering services works, and provision of facilities management services; and
  - (2) EV charging business – the sale of EV charging systems and subscription fee income.
- (i) **Disaggregation of revenue from contracts with customers**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>MOP'000</b>	<b>MOP'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Construction business</u></b>		
<b>Revenue from construction contracts</b>		
Construction and fitting out works	278,595	209,583
High voltage power substation construction and its system installation works	12,185	4,481
E&M engineering services works	90,892	37,038
Facilities management services	33,149	38,533
	<b>414,821</b>	<b>289,635</b>
<b><u>EV charging business</u></b>		
Sale of EV charging systems	26	–
Subscription fee income	2	–
	<b>28</b>	<b>–</b>
	<b>414,849</b>	<b>289,635</b>
<b>Timing of revenue recognition</b>		
A point in time	26	–
Over time	414,823	289,635
	<b>414,849</b>	<b>289,635</b>

(ii) **Segment information**

**Six months ended 30 June 2021**

	<b>Construction business MOP'000 (Unaudited)</b>	<b>EV charging business MOP'000 (Unaudited)</b>	<b>Total 2021 MOP'000 (Unaudited)</b>
Revenue from external customers	414,821	28	414,849
Segment results	64,410	(1,611)	62,799
Unallocated other income			128
Central administration costs			(45)
Share of profit of associates			353
Profit before tax			63,235

**Six months ended 30 June 2020**

During the six months ended 30 June 2020, the executive Directors, being the CODM, for the purpose of resources allocation and performance assessment, reviewed the overall results and financial position of the Group as a whole. Accordingly, the Group had only one single operating and reportable segment regarding construction business and no further discrete financial information nor analysis of this single segment was presented.

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

**Geographical information**

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

**4. INCOME TAX EXPENSE (CREDIT)**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>MOP'000</b>	<b>MOP'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax: Macau Complementary Tax	8,641	1,593
Under (Over)-provision in prior years	28	(2,127)
	<b>8,669</b>	<b>(534)</b>

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

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

## 5. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>MOP'000</b>	<b>MOP'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	<u>54,566</u>	<u>13,000</u>
	<b>'000</b>	<b>'000</b>
		(Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,790,051</u>	<u>1,796,500</u>
Effect of dilutive ordinary shares	<u>264</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>1,790,315</b></u>	<u><b>1,796,500</b></u>

For the six months ended 30 June 2020, the diluted earnings per share does not assume the effect from the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for that period.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue of shares completed on 29 June 2021. As such, basic and diluted earnings per share for the six months ended 30 June 2020 have been restated.

## 6. CONTRACT ASSETS

	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>MOP'000</b>	<b>MOP'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Contract assets from contract with customers	<u>110,859</u>	<u>79,847</u>
Less: Allowance for credit losses	<u>(2,970)</u>	<u>(2,478)</u>
	<u><b>107,889</b></u>	<u><b>77,369</b></u>

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
Represented by:		
Construction and fitting out works	<b>94,375</b>	61,578
High voltage power substation construction and its system installation works	<b>2,769</b>	2,519
E&M engineering services works	<b>10,206</b>	12,733
Facilities management services	<b>539</b>	539
	<b>107,889</b>	77,369
	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
Analysed as current		
Unbilled revenue	<b>21,788</b>	16,501
Retention receivables	<b>86,101</b>	60,868
	<b>107,889</b>	77,369

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

### Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits and typically netoffs 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 works completed by the Group, customers' or external surveyors' issuance of certification on the works or the payment milestones being met. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains certification of the completed contract works from customers or external surveyors or meets payment milestones.



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

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

As at 30 June 2021, retention money held by customers for contract works amounted to MOP86,101,000 (31 December 2020: MOP60,868,000) of which MOP11,779,000 (31 December 2020: MOP11,425,000) 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.

	<b>30 June 2021 MOP'000 (Unaudited)</b>	<b>31 December 2020 MOP'000 (Audited)</b>
Within one year	<b>11,719</b>	11,685
After one year	<b>74,382</b>	49,183
	<b>86,101</b>	60,868

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
Trade receivables from contracts with customers	<b>256,883</b>	215,433
Less: Allowance for credit losses	<b>(3,544)</b>	(3,066)
	<b>253,339</b>	212,367
Other debtors, deposits and prepayments		
– Deposits	<b>1,254</b>	1,214
– Prepayments	<b>4,588</b>	6,986
– Others	<b>1,242</b>	5,283
	<b>260,423</b>	225,850

The Group allows 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:

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
0-90 days	<b>199,507</b>	204,423
91-365 days	<b>51,955</b>	6,296
1-2 year	<b>883</b>	377
Over 2 years	<b>994</b>	1,271
	<b>253,339</b>	212,367

As at 30 June 2021, included in the Group's trade receivables balance are debtors with carrying amounts of MOP73,761,000 (31 December 2020: MOP75,385,000) which are past due as at the reporting date. Out of the past due balances, MOP43,792,000 (31 December 2020: MOP4,386,000) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there had not been a significant change in credit quality, the amounts are still considered recoverable.

## 8. AMOUNTS WITH RELATED COMPANIES

### (a) Amounts due from related companies (trade receivables)

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

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
0-90 days	12,416	20,506
91-365 days	10,599	–
	<b>23,015</b>	<b>20,506</b>

As at 30 June 2021, included in the Group's trade-nature amounts due from related companies with carrying amounts of MOP10,599,000 (31 December 2020: MOP10,167,000) which are past due as at the reporting date. Out of the past due balances, MOP10,599,000 (31 December 2020: Nil) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

### (b) Amounts due to related companies (trade payables)

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

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
Within 90 days	458	2,594

## 9. CREDITORS AND ACCRUED CHARGES

	<b>30 June 2021 MOP'000 (Unaudited)</b>	31 December 2020 MOP'000 (Audited)
Trade payables	43,813	44,228
Retention payables	29,035	13,622
Other creditors and accrued charges		
–Accrued staff costs	10,811	9,877
–Accrued construction costs	102,464	70,558
–Other accruals	1,114	3,158
–Other payables	13,771	13,674
	<b>201,008</b>	<b>155,117</b>

## Trade payables

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

	<b>30 June 2021 MOP'000 (Unaudited)</b>	<b>31 December 2020 MOP'000 (Audited)</b>
0-90 days	<b>43,703</b>	39,372
91-365 days	<b>110</b>	4,856
	<b>43,813</b>	44,228

## Retention payables

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.

	<b>30 June 2021 MOP'000 (Unaudited)</b>	<b>31 December 2020 MOP'000 (Audited)</b>
On demand or within one year	<b>6,818</b>	477
After one year	<b>22,217</b>	13,145
	<b>29,035</b>	13,622

## 10. DIVIDENDS

	<b>Six months ended 30 June 2021 MOP'000 (Unaudited)</b>	<b>2020 MOP'000 (Unaudited)</b>
2020 Final – HK3.0 cents (equivalent to MOP3.09 cents) (2020: 2019 Final – HK4.5 cents (equivalent to MOP4.64 cents)) per share	<b>36,816</b>	55,443

The Directors have determined that an interim dividend for the six months ended 30 June 2021 of HK2.8 cents (equivalent to MOP2.88 cents) per share, representing a total amount of approximately HK\$49,999,000 (equivalent to approximately MOP51,499,000), shall be paid to the shareholders of the Company whose names appear in the register of members on 8 September 2021 (30 June 2020: 2020 interim dividend of HK1.0 cent (equivalent to MOP1.03 cents) per share, representing a total amount of approximately HK\$11,962,000 (equivalent to approximately MOP12,321,000)).

## 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. During the Period, the Group has diversified its existing business by introducing the EV charging solutions and system business.

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, 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 charging solutions and system business is a new sustainable business opportunity which involves supplying EV charging integrated solution, including supply and installation of EV chargers, and developing EV charging-enabling infrastructure, central management system and hub for e-payment for electric vehicles.

## BUSINESS REVIEW

During the Period, the Macau market, where the Group's core business is located, gradually emerged from the impact of COVID-19. The number of inbound visitors arriving at Macau and its gaming revenue experienced a significant upswing. According to the Macau Statistics and Census Service, the number of inbound visitors arriving at Macau reached 4 million in the first half of the year, which represented a significant bounce-back as compared with the same period last year, whereas according to the Macau Gaming Inspection and Coordination Bureau, Macau's gaming revenue in the first half of the year increased by approximately 45.4% year-on-year to about MOP49 billion.

During the Period, the Group undertook construction works in line with the needs of its customers and achieved substantial construction progress in major construction contracts, resulting in a substantial increase in revenue during the Period, which included the development of a new hotel complex in Cotai City, Macau with a total contract value of approximately HK\$6.5 billion. The Group's revenue increased by 43.2% year-on-year to MOP414.8 million (Previous Period: MOP289.6 million). Driven by the overall increase in benefits, the Group's net profit increased by 319.7% year-on-year to approximately MOP54.6 million (Previous Period: MOP13.0 million), and gross profit increased by 199.1% to MOP79.0 million (Previous Period: MOP26.4 million). The gross profit margin and net profit margin during the Period were 19.0% (Previous Period: 9.1%) and 13.2% (Previous Period: 4.5%), respectively.

As at 30 June 2021, the Group's total aggregate value of contracts on hand yet to complete amounted to MOP1.20 billion. During the Period, several construction and fitting out works projects and electrical and mechanical works projects for a new hotel complex were awarded, including the installation of water park slides, the supply and installation of metal doors, the supply and delivery of luminaries and wiring accessories for heating ventilation and air-conditioning system and wet fire system, and the façade lighting works, with a total contract value of approximately MOP300 million.

The Group's EV charging business also flourished. During the Period, the Group has secured EV charging projects for residential properties and public parking spaces in Guangdong Province, the People's Republic of China and Macau to provide design, supply, installation, operation and maintenance services for electric vehicles charging facilities, covering around 4,400 private and public parking spaces.

Benefiting from the outstanding performance of the Group and the recognition of the Group by the capital market, MECOM was officially included as a constituent in the MSCI Hong Kong Small Cap Index on 27 May 2021. The Board expects that the inclusion of the Company as a constituent in the MSCI Hong Kong Small Cap Index will enhance the Company's reputation and increase the liquidity of trading in its shares.

## FINANCIAL REVIEW

### Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
<b><i>Construction business</i></b>				
Construction and fitting out works	278,595	67.2	209,583	72.4
High voltage power substation construction and its system installation works	12,185	2.9	4,481	1.5
E&M engineering services works	90,892	21.9	37,038	12.8
Facilities management services	33,149	8.0	38,533	13.3
	414,821	100.0	289,635	100.0
<b><i>EV charging business</i></b>	28	0.0	—	—
<b>Total</b>	<b>414,849</b>	<b>100.0</b>	<b>289,635</b>	<b>100.0</b>

The Group's revenue for the Period increased by MOP125.2 million or 43.2%, which was attributable to the increase in revenue from construction and fitting out works and E&M engineering services works by MOP69.0 million or 32.9% and MOP53.9 million or 145.4%, respectively.

Growth in revenue from construction and fitting out works and E&M engineering services works was mainly due to the fact that the Group had substantial construction progress in various large-scale projects regarding the phase 2 development of a new hotel complex in Cotai, Macau during the Period.

During the Period, the Group has diversified its existing business by introducing the EV charging solutions and system business. As of June 2021, revenue was contributed by the sales of EV charging systems and the fixed monthly subscription fee from customers who have subscribed to the Group's monthly subscription plan.

## Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin during the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	Gross profit/(loss) MOP'000	Gross margin %	Gross profit/(loss) MOP'000	Gross margin %
<b><i>Construction business</i></b>				
Construction and fitting out works	55,511	19.9	20,154	9.6
High voltage power substation construction and its system installation works	929	7.6	1,061	23.7
E&M engineering services works	17,235	19.0	(2,114)	(5.7)
Facilities management services	6,107	18.4	7,317	19.0
	<u>79,782</u>	<u>19.2</u>	<u>26,418</u>	<u>9.1</u>
<b><i>EV charging business</i></b>	<u>(754)</u>	<u>(2,692.9)</u>	<u>–</u>	<u>–</u>
<b>Total/overall</b>	<u><b>79,028</b></u>	<u><b>19.0</b></u>	<u><b>26,418</b></u>	<u><b>9.1</b></u>

Our gross profit margin increased from 9.1% for the Previous Period to 19.0% for the Period. The favorable comparison was driven by (i) a substantial construction progress completed during the Period, which was initially impacted by the outbreak of COVID-19 epidemic during the Previous Period; (ii) certification of variation works completed in 2020 during the Period; and (iii) improvement in cost efficiency as the global COVID-19 pandemic has been brought under control to some extent during the Period.

The gross margin of E&M engineering services works was 19.0% for the Period. E&M engineering services works and EV charging business generated gross loss during the first half of 2020 and 2021, respectively, due to the relatively high set up cost of new business at the initial stage.



## **Other income**

Other income decreased by MOP1.5 million or 61.6%, which was attributable to (i) the Group's recognition of government grants of MOP600,000 in respect of COVID-19 related subsidy for business provided by the Macau government during the Previous Period; and (ii) the decrease in bank interest income from the Group's fixed bank deposits for the Period due to the drop of time deposit interest rates.

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

The Group's impairment losses of trade receivables, trade-nature amounts due from related companies and contract assets were MOP1,264,000 for the Period (Previous Period: MOP806,000). The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, trade-nature amounts due from related companies and contract assets. To measure the ECL, the Group has estimated the expected loss rates for the trade receivables, the trade-nature amounts due from related companies and the contract assets on the same basis.

## **Administrative expenses**

There was no significant change in administrative expenses for the Period as compared with the Previous Period.

## **Income tax expense**

Income tax expenses increased by MOP9.2 million primarily due to reversal of over-provision of MOP2.1 million in prior years during the Previous Period which was one-off in nature and not repeated during the Period.

## **Profit for the Period**

The Group's profit for the Period increased by MOP41.6 million or 319.7% primarily attributable to the combined effect of the abovementioned items.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

In the management of the liquidity risk, 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 30 June 2021, the Group had net current assets of MOP389.0 million (31 December 2020: MOP387.0 million). The current ratio of the Group as at 30 June 2021 was 2.6 (31 December 2020: 3.3).

The Group continued to maintain a healthy liquidity position. As at 30 June 2021, the Group had a total cash and bank balances (including fixed bank deposits) of MOP180.0 million (31 December 2020: MOP175.3 million).

As at 30 June 2021, the Group's unutilised credit facilities was MOP178.0 million (31 December 2020: MOP367.4 million).

As at 30 June 2021, the Group had no bank borrowings (31 December 2020: nil) and the Group's gearing ratio (calculated by dividing total debts with total equity) was zero (31 December 2020: zero).

As at 30 June 2021, the Company's share capital and equity amounted to MOP18.4 million and MOP426.1 million, respectively (31 December 2020: MOP12.3 million and MOP426.7 million, respectively).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 30 June 2021, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

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

On 9 February 2021, the Group entered into an equity transfer agreement for the acquisition of 49% equity interest in Moreira Dos Santos Mobilidade Eléctrica Lda., a company incorporated in Macau with limited liability, at a cash consideration of MOP1,500,000. Please refer to the announcement of the Company dated 15 March 2021 for details.

Save as disclosed above, the Group had no significant investments and no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

Save as disclosed in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 30 June 2021.

## **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 since 13 February 2018 (the "Listing").

The net proceeds from the global offering (the "Global Offering") were HK\$261.6 million (equivalent to approximately MOP269.4 million) after deducting underwriting fees and commissions and all related expenses. Details of the proposed applications of such net proceeds are disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 28 February 2019.

The following table sets out the revised applications of the net proceeds and the actual usage up to 30 June 2021:

	<b>Revised applications (HK\$ million)</b>	<b>Actual usage up to 30 June 2021 (HK\$ million)</b>
Financing the issuance of performance bonds when undertaking new projects ( <i>Note 1</i> )	112.4	88.5
Establishing storage facilities ( <i>Note 2</i> )	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 ( <i>Note 2</i> )	16.7	16.7
General working capital	26.2	26.2
	<u>261.6</u>	<u>237.7</u>

*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 2022.

Up to the date of this announcement, the Group has utilised HK\$90.4 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 resolved to reallocate the then remaining unutilised balance of the net proceeds of approximately HK\$16.7 million that was earmarked for the purpose of strengthening the Group's storage facilities for equipment and materials towards the financing of upfront costs (i.e. raw materials costs, labour costs and subcontracting costs) for new projects. Please refer to the aforesaid announcement for further information.

## **PLEDGE OF ASSETS**

As at 30 June 2021, the Group had pledged bank deposits of MOP57.6 million (31 December 2020: MOP57.1 million), that were pledged with banks as security of credit facilities.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2021 (31 December 2020: nil).

## **COMMITMENTS**

As at 30 June 2021, save for the commitment to contribute capital to a subsidiary in the amount of approximately MOP12.2 million, the Group had no material capital commitment (31 December 2020: nil).

## EMPLOYEES AND REMUNERATION POLICY

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

As a main contractor for some of the projects we undertake, we apply for work permits for our non-Macau resident workers on a project-by-project basis. As at 30 June 2021, the Group had 297 (31 December 2020: 355) employees in Hong Kong and Macau, comprising 88 Macau residents and 209 non-Macau residents (31 December 2020: 73 Macau residents and 282 non-Macau residents).

The Company has adopted a share option scheme (the "Share Option Scheme") on 23 January 2018, which was effective upon the Listing. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group.

Details of movements in the share options granted under the Share Option Scheme during the Period and options outstanding as at 30 June 2021 are as follows:

Name of grantees	Date of grant	Number of share options held as at 1 January 2021	Changes during the six months ended 30 June 2021				Number of share options held as at 30 June 2021	Exercise price per share HK\$	Exercisable period <i>(Note)</i>	
			Granted	Exercised	Lapsed	Cancelled				
<b>Directors</b>										
Ms. Chan Po Yi, Patsy	3 April 2018	200,000	–	(200,000)	–	–	–	1.8	3 April 2018 to 2 April 2028	
Mr. Cheung Kiu Cho, Vincent	3 April 2018	50,000	–	(50,000)	–	–	–	1.8	3 April 2018 to 2 April 2028	
<b>Employees</b>	3 April 2018	250,000	–	(250,000)	–	–	–	1.8	3 April 2018 to 2 April 2028	
<b>Consultants</b>	3 April 2018	300,000	–	(300,000)	–	–	–	1.8	3 April 2018 to 2 April 2028	
		800,000	–	(800,000)	–	–	–			

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

## PROSPECTS

The overall economy of Macau recovered gradually in 2021. The Macau government announced the relaxation of border controls in February 2021 when all Chinese tourists were exempted from quarantine. The COVID-19 vaccination programme was also launched in early February 2021. Despite the impact of COVID-19 on the economy, the Macau government launched a number of new construction projects. According to the Macau Construction and Development Office, there are currently 46 transportation and public works projects worth more than MOP100 million, with a total value of close to MOP35.2 billion. More infrastructure projects will be launched in the next few years, including expansion of the Macau light rail system and major road projects. The substantial increase in government projects and private sector projects will directly benefit the entire construction industry.

There are currently six existing gambling licenses in Macau that are subject to expiration in June 2022, the preparations for the re-auction of which are being proceeded in an orderly manner. It is expected that consultation will begin in the second half of the year. The Group estimates that existing licensees will step up maintenance of facilities, or even build more large-scale integrated resorts, to increase their chips for renewal of their gambling licenses. The Group will directly benefit from the burgeoning growth of the gambling companies.

In addition, with the promotion of the use of electric vehicles in various regions, policies are being rolled out to popularize electric vehicles. Ho Iat Seng, the chief executive of the Macau Special Administrative Region stated that Macau will push forward the preparation of master plan and zoning plan of Macau, promote the construction of urban infrastructure, and cooperate with the national environmental protection development strategy to work conscientiously in achieving “peaking carbon dioxide emissions” (carbon emissions falling from the peak) and “carbon neutrality” and gradually realize the replacement of clean energy, with a view to achieving the peak of carbon by 2030. The Group is also striving to develop electric vehicle charging and lithium phosphate battery businesses. At present, it is focusing on expanding the charging network, with an aim to provide customers with long-term power supply and maintenance services, and will charge monthly fees in order to provide the Group with a stable source of cash flow. We believe that when electric vehicles gradually become the mainstream of the market, the revenue from the charging posts business will increasingly bring in revenue for the Group.

The Central People’s Government has indicated that it will promote the implementation of the “Guangdong-Macau Cooperation Framework Agreement” (the “Framework Agreement”), support the diversified economic development of Macau in a proper manner, accelerate the establishment of a “Guangdong-Macau Intensive Cooperation Zone” in Hengqin, and build a joint discussion, joint construction and joint management mechanism for Guangdong and Macau. Under the Framework Agreement, the Hengqin Free Trade Zone will be jointly managed by Macau and Zhuhai, which will provide tremendous opportunities for the development of Macau, including allowing Macau construction companies to directly station in Hengqin to undertake construction projects and works relating to service industries. At the same time, the Macau government will also increase investment in projects in Hengqin. The Group will seize this opportunity by positioning Hengqin as its central hub to accelerate its penetration into the Greater Bay Area market.

With the roll-out of COVID-19 vaccines, the development of the COVID-19 has been positively contained and border control measures have also been lessened one after another. MECOM will continue to remain cautious and optimistic to maintain its competitive edge by strengthening internal management and business deployment while proactively seeking market opportunities, striving to find new customers and expanding its business to the Greater Bay Area. The Company endeavors to obtain a larger market share to maximize returns to shareholders.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICES**

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all the Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code throughout the Period.

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

### **INTERIM DIVIDEND**

The Directors resolved to declare an interim dividend of HK2.8 cents per share for the Period. Such interim dividend will be paid to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 8 September 2021. It is expected that the interim dividend will be paid on or about Wednesday, 29 September 2021.

In order to be eligible for the interim dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 September 2021.



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

The Company repurchased 2,960,000 shares with par value of HK\$0.01 each ("Shares", each a "Share") on the Stock Exchange during the Period. The total consideration (including transaction costs) of the repurchases was approximately HK\$13,243,000. All of the repurchased Shares were cancelled during the Period. Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
March 2021	250,000	4.55	4.45	1,136,000
April 2021	2,380,000	4.73	4.17	10,664,000
May 2021	330,000	4.40	4.30	1,443,000
	<u>2,960,000</u>			<u>13,243,000</u>

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

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

## BONUS ISSUE OF SHARES

On 29 June 2021, the Company completed the bonus issue of 595,741,000 new Shares to the existing shareholders of the Company on the basis of one (1) bonus Share for every two (2) existing Shares held by the shareholders of the Company on 4 June 2021. Please refer to the Company's announcement dated 30 March 2021 and the Company's circular dated 27 April 2021 for details.

## AUDIT COMMITTEE

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

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

## REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee and the Company's external auditor, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group and have reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no important events affecting the Group that had occurred after 30 June 2021 and up to the date of this announcement.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE**

This announcement is published on the Company's website at [www.mecommacau.com](http://www.mecommacau.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 Interim Report will be despatched to the shareholders of the Company and will be made available on the above websites in due course in accordance with the Listing Rules.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company, business associates and other professional parties for their continuous support to the Group throughout the Period.

By Order of the Board  
**MECOM Power and Construction Limited**  
**Kuok Lam Sek**  
*Chairman*

Hong Kong, 25 August 2021

*As at the date of this announcement, the executive Directors are Mr. Kuok Lam Sek and Mr. Sou Kun Tou, and the independent non-executive Directors are Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Mr. Lio Weng Tong.*