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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)**

**(Warrant Code: 2242)**

### **DISCLOSEABLE TRANSACTION**

#### **CONSTRUCTION CONTRACTS FOR THE FACILITIES IN JIANGMEN, GUANGDONG PROVINCE, THE PRC**

##### **THE CONSTRUCTION CONTRACTS**

References are made to the announcements of the Company dated 13 December 2021 and 22 July 2022 in relation to the formation of the JV Company and the acquisition of the Land by the JV Company, respectively.

The JV Company has entered into the Construction Contracts (including the Main Contract and the Ancillary Contracts) with the Contractor, pursuant to which the Contractor is engaged by the JV Company to undertake certain construction works on the Land for a total estimated contract sum of approximately RMB138,207,178 (equivalent to approximately HK\$157,556,183).

##### **LISTING RULES IMPLICATIONS**

As the Construction Contracts were entered into within a 12-month period between the JV Company and the Contractor, the Construction Contracts are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the Construction Contracts (on an aggregated basis) exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Construction Contracts are set out as follows:

**(1) The Main Contract**

***Parties***

- (i) the JV Company, a subsidiary of the Company
- (ii) the Contractor, an Independent Third Party

***Subject matter***

The Contractor is engaged by the JV Company to undertake certain construction works for the construction of factory plants, office and general use buildings, warehouse, equipment room, infrastructure facilities, and certain outdoor works at the development site on the Land, as specified in the construction drawings and plans, with an aggregate construction area of approximately 57,104.99 sq.m. (the “**Facilities**”). The Contractor shall be responsible for procuring, transporting, storing and/or disposing the materials and equipment incidental to the construction works. The construction works are expected to be completed by 30 November 2023 subject to the terms and conditions of the Main Contract. The Contractor shall not engage any sub-contractor to undertake any portion of the construction works without the prior approval of the JV Company, save as permitted under the Main Contract.

***Contract sum***

The total contract sum under the Main Contract is approximately RMB130,115,095 (equivalent to approximately HK\$148,331,208), which covers all construction and related costs including the Contractor’s own fees, material and equipment costs, labour costs, labour and safety insurance costs, water and electricity bills, and other costs as specified in the Main Contract. The contract sum is estimated with reference to the scope of the construction works and may be subject to adjustments in circumstances such as any delay in construction period, or fine-tuning of construction plan as may be agreed between the parties.

The contract sum was determined after arm’s length negotiations by way of tender with reference to the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

The contract sum under the Main Contract will be funded by internal resources of the JV Company and banking facilities.

***Payment terms***

The contract sum shall be paid by the JV Company by instalment payments based on percentage of construction progress and on applications for payment submitted by the Contractor together with supporting documents. As at the date of this announcement, the JV Company has not yet paid any part of the contract sum under the Main Contract. A retention amount representing 3% of the total contract sum under the Main Contract will be retained by the JV Company as warranty against defects or sub-standard construction works, and

such retention amount will be paid to the Contractor without interest following expiry of the applicable defect liability period (being a period of two years from the date of construction completion and inspection of the relevant portion of the completed works) and on application for payment submitted by the Contractor together with supporting documents.

## **(2) The Ancillary Contracts**

### ***Parties***

- (i) the JV Company, a subsidiary of the Company
- (ii) the Contractor, an Independent Third Party

### ***Subject matter***

The JV Company has entered into the Ancillary Contracts with the Contractor, pursuant to which the Contractor is engaged by the JV Company to undertake certain ancillary construction works, including foundation works, sewage and piping works, and construction of temporary structures, at the development site on the Land.

### ***Contract sum***

The Contractor shall be paid for the works undertaken by it with reference to the certified amount of works completed at the agreed price per unit for such works. As at the date of this announcement, the total contract sum under the Ancillary Contracts is approximately RMB8,092,083 (equivalent to approximately HK\$9,224,975), subject to assessment of the amount of works to be completed with respect to a work order. The contract sum was determined after arm's length negotiations with reference to the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

The contract sum under the Ancillary Contracts has been and will be funded by internal resources of the JV Company and banking facilities.

### ***Payment terms***

The relevant portion of the contract sum under the respective Ancillary Contracts shall be paid by the JV Company subject to completion of the corresponding works and on applications for payment submitted by the Contractor together with supporting documents. As at the date of this announcement, subject to assessment of the amount of works to be completed with respect to a work order, the unpaid contract sum under the Ancillary Contracts is approximately RMB575,291 (equivalent to approximately HK\$655,832) in aggregate.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO THE CONSTRUCTION CONTRACTS**

As disclosed in the Company's announcements dated 13 December 2021 and 22 July 2022, the JV Company is a joint venture between the Group and the JV Partner with an intended scope of business encompassing the fabrication and/or processing of structural steel components that are generally used in the Group's construction and fitting out works in its ordinary and usual course of business, and the research and manufacturing base for developing new materials and equipment for other new energy businesses. The JV Company has completed the acquisition of the Land in July 2022, and has entered into the Construction Contracts with the Contractor to construct the buildings and facilities thereon, for the purpose of further implementing the development plan of the JV Company.

By implementing the development plan of the JV Company, the business presence of the Group will expand to the field of production and manufacturing serving the Group's principal businesses of construction and new energy. The production business is an extension of the Group's industrial chain, which can serve the future business development of the Group in a better way and enhance its competitiveness. Through vertical extension (including the research and development and manufacturing of new materials and equipment for the new energy business), the production business provides a manufacturing base for the Group's expansion out of Macau and exploration of other domestic and overseas markets such as the Guangdong-Hong Kong-Macao Greater Bay Area, Southeast Asia and Australia. This will enhance the Group's business scale, market competitiveness, brand influence and industry status.

Having taken into account the above factors, the Directors believe that the entering into of the Construction Contracts is beneficial to the Company and the Shareholders as a whole. The Directors also consider that the terms of the Construction Contracts are on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE JV COMPANY**

The Group is principally engaged in (1) provision of construction services, including (i) construction and fitting out works; (ii) high voltage power substation construction and its system installation works; (iii) electrical and mechanical engineering services works; and (iv) provision of facilities management services, (2) provision of electric vehicle ("EV") related services, including but not limited to (a) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (b) distribution of EVs; (c) design, production, sales and marketing of EVs and EV charging systems; (d) manufacturing and production of battery packs; and (e) provision of EV charging/swapping solutions, and (3) sales, trading and processing of metal materials.

The JV Company is a company established with limited liability in the PRC and is owned as to 60% by the Group and 40% by the JV Partner. The JV Partner is owned as to 90% by Mr. Deng Jianghua and as to 10% by Mr. Zhu Qingshan. The JV Company is principally engaged in setting up manufacturing facilities for the fabrication and/or processing of structural steel components and the research and manufacturing base for developing new materials and equipment for other new energy businesses.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and Mr. Deng Jianghua, to the extent that the JV Company is not an insignificant subsidiary (as defined in Rule 14A.09 of the Listing Rules) of the Company, are connected persons of the Company at the subsidiary level for the purpose of Chapter 14A of the Listing Rules.

## **INFORMATION ON THE CONTRACTOR**

The Contractor is a company established in the PRC with limited liability, and is principally engaged in construction works and related businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Contractor is beneficially owned as to approximately 55% by Liu Zhonghua and 45% by Wang Shulin, with reference to the registered capital of the Contractor agreed to be contributed by each of them; and (ii) the Contractor and its ultimate beneficial owners are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the Main Contract, on a standalone basis, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Each of the Ancillary Contracts, on a standalone basis, do not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As the Construction Contracts (including the Main Contract and the Ancillary Contracts) were entered into within a 12-month period between the JV Company and the Contractor, the Construction Contracts are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As the highest of the applicable percentage ratios for the transactions contemplated under the Construction Contracts (on an aggregated basis) exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.23A of the Listing Rules, the transactions under the Construction Contracts are not aggregated with the acquisition of the Land for the purpose of Chapter 14 of the Listing Rules given that the Land was acquired from the local government authorities through public bidding process and will be developed by the Group for its own use in its ordinary and usual course of business.

## **REMEDIAL MEASURES**

The Company acknowledges that the notification and announcement in respect of the Construction Contracts has been delayed due to inadvertent oversight, and the Company has omitted to comply with the Listing Rules upon entering into the Main Contract which constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Going forward, to ensure a timely disclosure in compliance with the Listing Rules, the Company has taken the following remedial measures:

- (i) the Company has issued guidance letters to employees of its business department reminding and explaining to them the relevant requirements under the Listing Rules and the reporting procedures for notifiable transactions under the Listing Rules, and the importance of identifying such transactions prior to execution of any construction or procurement contracts with any third party in respect of the development of the Land and/or the Facilities;
- (ii) the company secretary of the Company shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules with the assistance of external counsels and/or advisers where appropriate; and
- (iii) the Group will arrange training sessions on compliance requirements for notifiable transactions so as to improve the standard of corporate governance and strengthen the internal control procedures of the Company.

The Directors are of the view that the above measures could effectively prevent the occurrence of similar incidents in the future.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set forth below unless the context requires otherwise:

“Ancillary Contracts”	the several contracts and work orders dated 4 September 2022, 27 October 2022 and 9 December 2022 entered into between the JV Company and the Contractor pursuant to which the Contractor is engaged by the JV Company to undertake certain ancillary construction works on the Land
“Board”	the board of Directors
“Company”	MECOM Power and Construction Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1183)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	collectively, the Main Contract and the Ancillary Contracts
“Contractor”	廣東鑫浯源建設集團有限公司(Guangdong Xin Wu Yuan Construction Group Company Limited*) a company established in the PRC with limited liability and an Independent Third Party
“Director(s)”	the director(s) of the Company
“Facilities”	the buildings and facilities to be constructed on the Land as described in “Construction Contracts – (1) the Main Contract – Subject Matter” of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) which is(are) independent of the Company and the connected persons of the Company
“JV Company”	澳能國際新材料科技(廣東)有限公司(MECOM International New Materials Technology (Guangdong) Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

“JV Partner”	將作重工裝備科技(澳門)有限公司(Chang Tsuo Heavy Equipment Technology (Macau) Co., Ltd.*), a company incorporated in Macau with limited liability and an Independent Third Party (save for its interests in the JV Company)
“Land”	a piece of land located at Gujing Town, Xinhui District, Jiangmen, Guangdong Province, the PRC (Parcel No. JCR2022-76) with a total site area of approximately 65,986 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Contract”	the contract dated 29 November 2022 entered into between the JV Company and the Contractor pursuant to which the Contractor is engaged by the JV Company to undertake certain construction works for the Facilities
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.14 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

\* *For identification purpose only*

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

Hong Kong, 16 March 2023

*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.*