MECOM
POWER & CONSTRUCTION

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Overall revenue for the year ended 31 December 2018 decreased to MOP597.6 million as compared to that of MOP658.7 million for the year ended 31 December 2017.
- Overall gross profit decreased to MOP110.3 million for the year ended 31 December 2018 as compared to that of MOP127.3 million for the year ended 31 December 2017.
- In 2018, the Group was awarded 23 projects (out of which, 17 and 6 are as a main contractor and subcontractor, respectively) with total contract sum of MOP132.4 million.
- The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 February 2018. The Group had incurred the one-off listing expenses of MOP14.4 million for the year ended 31 December 2018 (2017: MOP13.6 million).
- Profit for the year decreased to MOP55.0 million as compared with that of MOP78.2 million for the year ended 31 December 2017.
- The board of directors of the Company recommended the payment of a final dividend of HK3.4 cents per share, amounting to a total of HK$40.8 million.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of MECOM Power and Construction Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Year" or "2018"), together with the comparative results for the year ended 31 December 2017 ("2017") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Macau Pataca)

	Notes	**2018** **MOP'000**	2017 *MOP'000*
Revenue	*3*	**597,572**	658,746
Cost of services		**(487,289)**	(531,436)
Gross profit		**110,283**	127,310
Other income		**4,390**	465
Other losses		**—***	(23)
Administrative expenses		**(35,930)**	(27,467)
Listing expenses		**(14,424)**	(13,617)
Share of profit of an associate		**26**	—
Profit before tax		**64,345**	86,668
Income tax expense	*4*	**(9,331)**	(8,474)
Profit and total comprehensive income for the year		**55,014**	78,194
Basic and diluted earnings per share (MOP cents)	*5*	**4.70**	8.15

* *Less than MOP1,000*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Expressed in Macau Pataca)

	Notes	2018 MOP'000	2017 MOP'000
Non-current assets			
Property, plant and equipment		**17,451**	15,630
Deposit paid for property, plant and equipment		**8,245**	—
Interest in an associate		**26**	—
		25,722	15,630
Current assets			
Contract assets	*6*	**29,863**	—
Amounts due from customers for contract works		**—**	6,070
Debtors, deposits and prepayments	*7*	**154,393**	98,610
Amounts due from related companies	*8*	**59,802**	105,679
Amounts due from shareholders		**—**	46
Pledged bank deposits		**22,649**	41,108
Fixed bank deposits		**214,858**	—
Bank balances and cash		**100,314**	165,882
		581,879	417,395
Current liabilities			
Amounts due to customers for contract works		**—**	8,478
Amounts due to related companies	*8*	**129**	2,739
Amounts due to shareholders		**—**	5,021
Creditors and accrued charges	*9*	**126,475**	178,779
Tax liabilities		**29,848**	36,076
		156,452	231,093
Net current assets		**425,427**	186,302
Net assets		**451,149**	201,932
Capital and reserves			
Share capital		**12,360**	—*
Reserves		**438,789**	201,932
Total equity		**451,149**	201,932

* *Less than MOP1,000*

NOTES:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 May 2017 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 ("MECOM Holding"). 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 and high voltage power substation construction and its system installation works, and provision of facilities management services.

The consolidated financial statements are presented in Macau Pataca ("MOP"), which is the same as the functional currency of the Company.

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

The Group has applied the following new and amendments to IFRSs and an interpretation issued by the International Accounting Standard Board for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs and the interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and performance assessment, review the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating and reportable segment and no further discrete financial information nor analysis of this single segment is presented.

	2018	2017
	MOP'000	*MOP'000*
Revenue from construction contracts		
Construction and fitting out works	**333,559**	507,138
High voltage power substation construction and its system installation works	**175,379**	91,405
Provision of service income		
Facilities management services	**88,634**	60,203
	597,572	658,746
Timing of revenue recognition		
Over time	**597,572**	658,746

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

4. INCOME TAX EXPENSE

	2018	2017
	MOP'000	*MOP'000*
Current tax		
Macau Complementary Tax	**9,869**	13,483
Overprovision in prior years	**(538)**	(5,009)
	9,331	8,474

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

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

5. EARNINGS PER SHARE

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

	2018	2017
	MOP'000	*MOP'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**55,014**	78,194
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,171,726**	960,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been determined on the assumption that the Reorganisation (as defined in note 1 to the consolidated financial statements of the Company as set out in the Company's 2017 annual report) and the capitalisation issue had been effective on 1 January 2017.

For the year ended 31 December 2018, 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 from the grant date to 31 December 2018. For the year ended 31 December 2017, there was no potential ordinary shares in issue or outstanding.

6. CONTRACT ASSETS

	As at 31 December 2018	As at 1 January 2018*
	MOP'000	*MOP'000*
Construction and fitting out works	**23,850**	29,079
High voltage power substation construction and its system installation works	**5,885**	4,172
Facilities management services	**128**	128
	29,863	33,379

* The amounts in this column are after the adjustments from the application of IFRS 9 and 15.

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

As at 31 December 2018, included in contract assets are retention money held by customers for contract works amounted to MOP29,863,000, of which MOP11,431,000 represented the retention money held by related companies. Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract, ranging from 1 year to 2 years from the date of the completion of the respective project.

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

	2018
	MOP'000
Within one year	**14,188**
After one year	**15,675**
	29,863

7. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018	2017
	MOP'000	*MOP'000*
Trade receivables	**150,443**	76,396
Less: Allowance for credit losses	**(2,294)**	—
	148,149	76,396
Retention receivables	**—**	14,622
Other debtors, deposits and prepayments		
— Deposits	**998**	1,028
— Prepayments	**4,219**	2,188
— Deferred share issue costs	**—**	2,692
— Others	**1,027**	1,684
	154,393	98,610

Trade receivables

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:

	2018	2017
	MOP'000	*MOP'000*
0–90 days	**94,594**	62,155
91–365 days	**50,137**	13,450
1–2 year	**3,388**	696
Over 2 years	**30**	95
	148,149	76,396

8. AMOUNTS DUE FROM/(TO) 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 amounts due from related companies (trade receivables), presented based on invoice date at the end of the reporting period.

	2018	2017
	MOP'000	*MOP'000*
0–90 days	**45,154**	84,219
91–365 days	**11,024**	1,653
1–2 years	**784**	—
	56,962	85,872

(b) Amount due to a related company (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 a related company presented based on invoice date at the end of the reporting period.

	2018	2017
	MOP'000	*MOP'000*
Within 90 days	**5**	—

9. CREDITORS AND ACCRUED CHARGES

	2018	2017
	MOP'000	*MOP'000*
Trade payables	**36,438**	79,572
Retention payables	**5,135**	1,240
Other creditors and accrued charges		
— Accrued staff costs	**13,855**	19,827
— Accrued construction costs	**61,881**	72,077
— Accrued listing expenses	**—**	1,540
— Other accruals	**9,166**	3,841
— Receipt in advance	**—**	682
	126,475	178,779

Trade payables

The credit period on trade payables 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:

	2018	2017
	MOP'000	*MOP'000*
0–90 days	**36,035**	73,279
91–365 days	**403**	5,133
1–2 year	**—**	1,160
	36,438	79,572

Retention payables

Retention payables are interest-free and payable at the end of the defect liability period of individual contracts, ranging from 1 year to 2 years from the date of the 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.

	2018	2017
	MOP'000	*MOP'000*
On demand or within one year	**1,344**	1,240
After one year	**3,791**	—
	5,135	1,240

10. DIVIDENDS

During the year ended 31 December 2018, interim dividends of HK1.0 cent (equivalent to MOP1.03 cents) per share, which is HK$12,000,000 (equivalent to MOP12,360,000) in total, was declared and paid to the shareholders as the interim dividend for 2018.

During the year ended 31 December 2018, dividends of HK6.7 cents (equivalent to MOP6.9 cents) per share, which is HK$80,400,000 (equivalent to MOP82,812,000) in total, was declared and paid to the shareholders as the final dividend for 2017.

During the year ended 31 December 2017, prior to the Reorganisation, EHY Construction and Engineering Company Limited and Sun Hung Yip Engineering Construction Company Limited declared and paid dividends of an aggregate amount of MOP41,200,000 to their shareholders.

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK3.4 cents (2017: HK6.7 cents) per share, totaling HK$40,800,000 (2017: HK$80,400,000), for the year ended 31 December 2018, to the shareholders of the Company. The payment of the final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I present to you the audited consolidated annual results of the Group for the year ended 31 December 2018.

Looking back at 2018, the Macau economy was trending upward healthily. Driven by the continuous development of tourism and the city's entertainment and hospitality industries, the economy growth reached 7.6% in the first half of the Year. A number of hotels and tourist facility projects were launched under the positive atmosphere for development. In the second half of the Year, with the escalating trade disputes between China and the U.S., the economy grew notably slower. For the Year as a whole, the city's economic growth narrowed down to 4.7%. Under such backdrop, private developers were prudent in assessing the economic environment and postponed some large projects, thus leading to the slowdown in Macau's construction industry development.

However, in every crisis lies opportunities. Although the external environment has been uncertain, with the support of favourable national policies, Macau still has many strengths conducive to her development. In last October, the Hong Kong-Zhuhai-Macao Bridge which connected Macau, Hong Kong and Zhuhai was officially open to traffic, giving tourism development of the three regions a big boost. As observed, the number of visitors to Macau rose significantly. In the first week of the Chinese New Year just past, more than 1.2 million visitors arrived at the city, representing an increase of 27% year-on-year. We expect the bridge to benefit Macau's tourism industry and drive the growth of the construction industry in the three regions and the Pearl River Delta. Recently, the promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" highlights the importance of Macau's integration into the Greater Bay Area, and positions Macau as an internationally competitive modern economic entity and a high-quality region for living, working and travelling. These favourable factors will further stimulate the demand for infrastructure construction and management.

As one of the few construction companies in Macau which are capable of handling highly challenging integrated construction engineering projects and high voltage power substation projects, the Group always keeps its eyes on the development projects in the public and private sectors and actively bids for projects to grasp growth opportunities and pave way for future development. According to a Frost & Sullivan market research report, the total value of the civil engineering market in Macau in 2018 is estimated to reach MOP74.4 billion and will continue to grow to MOP126.0 billion in 2021. During the Year, it secured several major construction contracts of hotels and high voltage power substation. However, certain projects could not be implemented as scheduled due to incomplete administrative procedures, and the launch of several projects was also postponed by the private developer under uncertain external environment. Hence, in 2018, the Group's revenue decreased by 9.3% year-on-year to MOP597.6 million. Looking ahead, the Group remains cautiously optimistic about the integrated construction engineering market in Macau.

Regarding the private sector projects, Macau has been boosting the development of non-gaming offerings in recent years, bringing with it the construction of large hotels, entertainment projects and leisure facilities to encourage non-gaming spending among the visitors. Existing hotels and casinos are also moving ahead with their upgrade and renovation plans. In 2018 alone, the accumulated gaming revenue of Macau reached MOP302.8 billion, representing a 14% increase year-on-year. Also, the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" just promulgated by the Central Government clearly states the goal to develop Macau into a global tourism and leisure center. Macau will further seize the opportunities in the Greater Bay Area to claim its place in this cluster of world-class cities.

Regarding the public sector, the Macau government has launched a number of municipal development initiatives to advance the sustainable development of the city. They included the New Town Reclamation, the building of public housing and the construction of the fourth bridge linking the Macau Peninsula and Taipa Island, a new power plant and a light rail system, which command massive public spending, but will strengthen the city's resilience and competitiveness.

The factors mentioned have braced the healthy and steady development of the construction market in Macau. MECOM, with a long history serving the Macau market, already has a number of iconic projects under its belt, shining examples of its excellent standard professional expertise and formidable project management experience. The Group is offering a high-quality one-stop solution to the customers, with two major businesses, namely structural steelworks and high voltage power substation construction work, complemented by facility management, modification and maintenance and repair engineering services. That is our unique core competitive advantage.

Going forward in 2019, under the impact of the Sino-US trade disputes in particular, the global economy will be ridden with uncertainties. The Group will pay close attention to the changes in the market and seize favourable market opportunities. It will also add new facilities, purchase new machines and hire skilled workers and project management personnel to bolster its professional technical capabilities. At the same time, we will maintain good relationship with the customers in public and private sectors and strengthen cooperation with business partners to realise synergies. In addition, efforts will be made by the Group to improve its internal management, enhance operational efficiency and maintain price competitiveness. Armed with excellent technological and competitive advantages, the Group will strive to stand out in the fiercely competitive market.

Last but not least, on behalf of the Board and the management of the Group, I would like to express my gratitude to all the employees for their diligence during the Year, and to our shareholders, investors, customers, suppliers and partners for their strong support. MECOM will continue to consolidate its industry leadership and push to realise sustainable growth, while generating satisfactory returns for the shareholders.

Kuok Lam Sek
Executive Director and Chairman

28 March 2019

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group primarily undertakes highly challenging and complex construction projects in Macau, including structural steelworks, and high voltage power substation construction projects. It also provides facilities management, alteration, and maintenance works and services. It is one of the industry leaders, ranking high in the civil engineering market and the high voltage power substation construction project market in Macau.

Looking back to 2018, the Macau economy trended up in the first half of the Year. Nevertheless, in the second half of the Year, with increasing uncertainties in the macro-economy, some large projects in Macau were postponed and thus the development of the Macau construction market slowed down. For the Year, total revenue from the Group's three business segments, namely (a) construction and fitting out works; (b) high voltage power substation construction and its system installation works, and (c) facilities management services, amounted to MOP597.6 million (2017: MOP658.7 million), representing a decrease of 9.3% year-on-year. The drop in total revenue was mainly due to the decline in revenue from the construction and fitting out works business as compared with 2017.

Gross profit for the Year was MOP110.3 million (2017: MOP127.3 million), representing a decrease of 13.4% year-on-year, and gross profit margin was 18.5% (2017: 19.3%). The narrower gross profit margin was the result of the decrease in revenue and increased construction costs during the Year. The Group recorded profit of MOP55.0 million (2017: MOP78.2 million), 29.6% lower than that of last year. Excluding the one-off listing expense of MOP14.4 million (2017: MOP13.6 million), the adjusted profit for the Year would amount to MOP69.4 million (2017: MOP91.8 million).

Segment Analysis

Construction and Fitting Out Works (accounted for 55.8% of the revenue in 2018)

Construction and fitting out works mainly includes structural steelworks services, civil engineering construction services and fitting out and renovation works.

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

During the Year, revenue from the construction and fitting out works segment was MOP333.6 million, representing a decrease of 34.2% when compared with 2017, and accounting for 55.8% of the total revenue of the Group. The decrease was mainly due to the completion of some large-scale structural steelworks and civil engineering construction projects during the Year, leading to a decline in revenue recognised.

Competition was intense in the construction market in Macau during the Year. To increase its chances of winning the tenders, the Group adopted a more competitive pricing strategy and explored different options, including setting up joint venture(s) with large construction company(ies) to bid for structural steelworks and civil engineering projects. The Group and a subsidiary of a Chinese state-owned company formed a joint venture to participate in a contract of more than MOP300 million for a hotel and podium in phase II of a well-known resort in Cotai. After receiving the owner's letter of acceptance in December 2018, the joint venture has started early stage construction works on the project. The Group will continue to strike a balance between securing more projects and maintaining a reasonable gross profit margin, so as to ensure its overall growth in the long run.

High Voltage Power Substation Construction and its System Installation Works (accounted for 29.4% of the revenue in 2018)

The Group's high voltage power substation construction and relevant system installation works involve the provision of planning, scheduling, project management and construction services to customised high-voltage substations and complex power transmission infrastructure installed with high voltage power system.

During the Year, revenue from the segment amounted to MOP175.4 million, an increase of 91.9% compared with last year, accounting for 29.4% of the Group's total revenue. The increase was mainly attributable to the electrical and mechanical ("E&M") works undertaken by the Group and its project partner for a 110/11kV high voltage power substation in the theme park of the casino gaming operator in Macau during the Year, bringing in a substantially larger amount of revenue recognised for the Year. The said project was completed during the Year.

Facilities Management Services (accounted for 14.8% of the revenue in 2018)

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.

Revenue from the segment for the Year increased by 47.2% year-on-year to MOP88.6 million, accounting for 14.8% of the Group's total revenue. Having a proven track record in service provision, the Group was awarded an E&M maintenance services contract at electronic gaming sites during the Year. The segment has been a stable source of recurring revenue for the Group. As more companies, particularly hotel customers, are placing greater attention on the quality of various repair and management services, outstanding service providers will be presented with more business opportunities. MECOM will strive to capture those opportunities.

In 2017, the Group secured a five-year facility management services contract for the energy centres and mechanical, electrical and plumbing systems of four hotel complexes. As the mentioned facility management service contract was new to the Group and was relatively complicated, the Group deployed more human resources in the early stage to serve the customer, leading to increase in the project cost. Nonetheless, having built up a good amount of experience working on the new project type as at 31 December 2018, the Group is confident that better cost-effectiveness in the provision of similar services will be achieved going forward.

FINANCIAL REVIEW

Revenue

Our revenue decreased by MOP61.1 million, or 9.3%, from MOP658.7 million for 2017 to MOP597.6 million for 2018, which was primarily attributable to the combined effect of the following:

(i) ***Construction and fitting out works***

Our revenue from construction and fitting out works decreased by MOP173.5 million, or 34.2%, from MOP507.1 million for 2017 to MOP333.6 million for 2018. Such decrease was mainly due to the fact that (i) we had substantial progress of works for some of our large-scale projects in this business stream during 2017 (which were completed in the first half of 2018); and (ii) we were only awarded with certain smaller-scale projects in this business stream during 2018.

(ii) ***High voltage power substation construction and its system installation works***

Our revenue from high voltage power substation construction and its system installation works increased by MOP84.0 million, or 91.9%, from MOP91.4 million for 2017 to MOP175.4 million for 2018. Such increase was mainly due to the revenue of MOP98.9 million generated from the E&M works contract for the 110/11kV high voltage power substation of the theme park of a casino gaming operator in Macau as part of a consortium with its power projects partner in 2018.

(iii) ***Facilities management services***

Our revenue from facilities management services increased by MOP28.4 million, or 47.2%, from MOP60.2 million for 2017 to MOP88.6 million for 2018. Such increase was mainly due to the commencement of certain new hotel and casino high/mid/low voltage power system facilities management and maintenance works and services in July 2017.

Cost of services

Our cost of services decreased by MOP44.1 million, or 8.3%, from MOP531.4 million for 2017 to MOP487.3 million for 2018, which was primarily in line with the decrease in our revenue, and mainly reflected by a decrease in our subcontracting costs by MOP88.6 million, or 25.5%, from MOP347.3 million for 2017 to MOP258.7 million for 2018 mainly due to more subcontracting works were used for a high-end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel in 2017. The decrease was partially offset by an increase in our material costs by MOP60.9 million, or 93.4%, from MOP65.3 million for 2017 to MOP126.2 million for 2018 mainly due to an increase in costs of power systems used in the E&M works contract for the 110/11kV high voltage power substation of the theme park for 2018.

Gross profit and gross profit margin

Our gross profit decreased by 13.4% from MOP127.3 million for 2017 to MOP110.3 million for 2018, which was primarily attributable to a decrease in our revenue.

The gross margin of our construction and fitting out works increased from 21.9% for 2017 to 23.3% for 2018 primarily attributable to an increase in the variation works of a substructural steelworks construction project for a well-known hotel casino in Sé, Macau which has a higher gross margin of approximately 43.7% mainly due to the favourable rate for the variation orders.

The gross margin of our high voltage power substation construction and its system installation works increased from 8.8% for 2017 to 15.8% for 2018 primarily attributable to the increase in revenue in the Year, with a significant gross profit of MOP11.9 million generated from the provision of power systems for the E&M works contract of the 110/11kV high voltage power substation.

The gross margin of our facilities management services decreased from 13.5% for 2017 to 5.6% for 2018 primarily attributable to more repair and replacement costs incurred and more subcontracting works were used for our facilities management and maintenance works and services in 2018.

Considering that the effects of (i) the decrease in the portion of revenue and gross profit contribution from our construction and fitting out works (which had the highest gross margin among our three business streams in 2017); and (ii) the decrease in the gross margin from our facilities management services, partially offset by the increase in the gross margin of our high voltage power substation construction and its system installation works, our overall gross margin decreased from 19.3% for 2017 to 18.5% for 2018.

Other income

Our other income increased by MOP3.9 million, from MOP0.5 million for 2017 to MOP4.4 million for 2018. Other income mainly consisted of bank interest income.

Other losses

Our other losses for 2017 consisted of net foreign exchange loss.

Administrative expenses

Our administrative expenses increased by 30.8% from MOP27.5 million for 2017 to MOP35.9 million for 2018 primarily attributable to (i) an increase in our staff costs mainly due to the recognition of our Directors' emoluments of MOP9.2 million (2017: MOP4.9 million); and (ii) an increase in our legal and professional fees incurred after the Listing.

Listing expenses

Listing expenses of MOP14.4 million (2017: MOP13.6 million) was charged to profit or loss for 2018.

Income tax expense

Our income tax expense increased by 10.1% from MOP8.5 million for 2017 to MOP9.3 million for 2018. In 2017, overprovision of income tax expense in prior years of MOP5.0 million was reversed.

Excluding this reversal of overprovision, current income tax expense decrease by 26.8% from MOP13.5 million for 2017 to MOP9.9 million for 2018 which was largely in line with the decrease in our profit before tax mainly due to (i) a decrease in our gross profit; and (ii) an increase in our administrative expenses as disclosed above.

Profit for the year

Our profit for the year decreased by 29.6% from MOP78.2 million for 2017 to MOP55.0 million for 2018 primarily attributable to the combined effect of the abovementioned items.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2018	2017
	MOP'000	*MOP'000*
Current assets	**581,879**	417,395
Current liabilities	**156,452**	231,093
Current ratio	**3.7**	1.8

As at 31 December 2018, the Group had net current assets of MOP425.4 million (2017: MOP186.3 million). The current ratio of the Group at 31 December 2018 was 3.7 (2017: 1.8).

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and proceeds from the Listing. As at 31 December 2018, our bank balances and cash (including fixed bank deposits) were MOP315.2 million (2017: MOP165.9 million). The unutilised credit facilities was MOP234.0 million (2017: MOP309.7 million) as at 31 December 2018.

Gearing ratio

As at 31 December 2018, the Group had no bank borrowings (2017: Nil) and the Group's gearing ratio is zero (2017: zero).

CAPITAL STRUCTURE

As at 31 December 2018, the share capital and equity amounted to MOP12.4 million and MOP438.8 million, respectively (2017: MOP20 and MOP201.9 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions amounts, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 31 December 2018, 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 30 November 2018, the Group entered into a sale and purchase agreement to acquire an industrial unit in Macau, which will serve as a permanent base for the Group's centralised warehouse, at a consideration of HK$39.7 million (equivalent to approximately MOP40.9 million). The acquisition was completed on 30 January 2019. Please refer to the announcements of the Company dated 30 November 2018 and 5 December 2018 for details.

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

Save as disclosed in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 31 December 2018.

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 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.

The following table sets out the proposed applications of the net proceeds and the actual usage as at 31 December 2018:

	Proposed applications *(HK$ million)*	**Actual usage** *(HK$ million)*
Financing the issuance of performance bonds when undertaking new projects	112.4	8.6
Establishing storage facilities	61.0	41.3
Recruiting additional staff	45.2	6.4
Acquiring additional machinery	16.8	6.5
General working capital	26.2	26.2
	261.6	89.0

Notes:

1. The Group has been experiencing delay in several new projects during the Year. Up to the date of this announcement, the Group utilised HK$10.6 million and HK$11.6 million of the total net proceeds for financing the issuance of performance bonds and recruiting additional staff, respectively.

2. With reference to the Company's announcement dated 28 February 2019, as the Company had already acquired an industrial unit in Macau, which will serve as a permanent base for the Group's centralised warehouse, the Board has resolved to reallocate the remaining unutilised balance of the net proceeds 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 that announcement for further information.

PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged bank deposits of MOP22.6 million (2017: MOP41.1 million), that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018.

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premise and warehouses. The Group's operating lease commitments amounted to MOP215,000 (2017: MOP328,000) as at 31 December 2018.

As at 31 December 2018, the Group had MOP34,835,000 (2017: Nil) capital commitments in respect of the acquisition of property, plant and equipment.

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 at 31 December 2018, the Group has 271 (2017: 541) employees in Hong Kong and Macau, comprising 79 Macau residents and 192 non-Macau residents (2017: 115 Macau residents and 426 non-Macau residents). As a main contractor for some of the projects we undertake, the Group apply for work permits for our non-Macau resident workers on a project-by-project basis. During the year, several large-scale projects were completed and thus a number of permits for hiring non-resident were not renewed upon expiry.

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 period from 13 February 2018 (the "Listing Date") to 31 December 2018 (the "Relevant

Period"), 1,900,000 options have been granted to the eligible participants pursuant to the Share Option Scheme. Details of such grant of options are set out in the Company's announcement dated 3 April 2018. As at 31 December 2018, none of the options granted has been exercised or lapsed.

PROSPECTS

Looking ahead, it is expected that the private and public sectors in Macau will continue to roll out different development projects. The Macau government is pushing forward with its economic diversification strategy, with plans to turn Macau into a world centre of tourism and leisure and enhance the carrying capacity of key tourist attractions. After the Hong Kong-Zhuhai-Macao Bridge was officially in operation, the number of visitors to Macau has been increasing significantly. In addition, the Macau government is participating at full strength in its integration into the Guangdong-Hong Kong-Macao Greater Bay Area and working in line with the Central Government's development planning which will fuel demand for infrastructure, power station and facilities management. The Group remains cautiously optimistic about the development of the Macau integrated construction market.

The Group has secured a number of projects, including the early stage construction work of a more than MOP300 million contract for foundation works of a hotel and podium in a large-scale entertainment complex, which was awarded to a joint venture formed by the Group and a state-owned construction enterprise, construction works of a high voltage power substation for Macau's light rail transit system and an E&M maintenance project for electronic gaming sites. These projects are expected to bring significant contribution to the Group's operational performance in the future.

Boasting prolific professional expertise and experience, as well as in-depth understanding of and leadership in the Macau market, the Group is well poised to respond to market changes, continue to bid for and take on more large-scale projects in Macau. It will also join hands with strong partners at opportune time to participate in projects. Furthermore, the Group will look beyond the Macau hotel construction market and strive to expand its business to construction of other facilities, such as green energy projects and photovoltaic systems, and explore new business opportunities along the Belt and Road and the Greater Bay Area so as to capture the abundant opportunities in the market to broaden its revenue stream and enlarge market share.

As for internal management, the Group will continue to enhance its operational efficiency and maintain price competitiveness. It will implement stringent cost control to ensure projects are completed and will operate smoothly. The Group firmly believes, with determination to triumph over challenges and work hard, it will be able to continue to develop and thrive.

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK3.4 cents per share for the year ended 31 December 2018 to the shareholders whose names appear on the register of members of the Company on 14 June 2019. The payment of the proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on 5 July 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 5 June 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer documents accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 May 2019.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDENDS

The payment of the proposed final dividend for the year ended 31 December 2018 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 12 June 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer documents accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") in 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. During the Relevant Period, the Board is of the view that the Company has complied with all the code provisions in the CG Code.

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. 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 Relevant Period.

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

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

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 February 2018 by way of Global Offering.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

AUDIT COMMITTEE

The Company has established the audit committee of the Board (the "Audit Committee") on 23 January 2018 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 (the Chairlady of the Audit Committee), Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong, all being independent non-executive Directors.

The primary duties of the Audit Committee are to (among others) 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 Audit Committee has reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other important events affecting the Group that had occurred after 31 December 2018 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the Company's website at www.mecommacau.com and the Stock Exchange's website at www.hkexnews.hk. The 2018 Annual 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 year.

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

Hong Kong, 28 March 2019

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 Dr. Ngan Matthew Man Wong.