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 2019

The board (the "Board") of directors (the "Directors") of MECOM Power and Construction Limited ("MECOM" or the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Year" or "2019"), together with the comparative results for the year ended 31 December 2018 ("2018") as follows:

FINANCIAL HIGHLIGHTS
(in Macau Pataca ("MOP") thousand, unless otherwise stated)

	2019	2018
Revenue	**498,945**	597,572
Gross profit	**102,225**	110,283
Profit for the year	**56,332**	55,014
Earnings per share (MOP cents)	**4.70**	4.70
Proposed final dividend (MOP cents)	**4.64**	3.50
Bank balances and cash (including fixed deposits)	**223,709**	315,172
Total equity	**462,935**	451,149
Current ratio	**3.4 times**	3.7 times
Aggregate value of contracts on hand yet to complete	**701,448**	264,971

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 MOP'000	2018 MOP'000
Revenue	3	**498,945**	597,572
Cost of services		**(396,720)**	(487,289)
Gross profit		**102,225**	110,283
Other income		**5,818**	4,390
Impairment losses under expected credit loss model, net of reversal		**(2,958)**	(345)
Administrative expenses		**(41,270)**	(35,585)
Listing expenses		**—**	(14,424)
Share of profit of an associate		**228**	26
Profit before tax		**64,043**	64,345
Income tax expense	4	**(7,711)**	(9,331)
Profit and total comprehensive income for the year		**56,332**	55,014
Basic and diluted earnings per share (MOP cents)	5	**4.70**	4.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 MOP'000	2018 MOP'000
Non-current assets			
Property, plant and equipment		**57,648**	17,451
Deposit paid for property, plant and equipment		**—**	8,245
Interest in an associate		**254**	26
		57,902	25,722
Current assets			
Contract assets	*6*	**109,122**	29,863
Debtors, deposits and prepayments	*8*	**171,046**	154,393
Amounts due from related companies	*9*	**30,670**	59,802
Pledged bank deposits		**42,375**	22,649
Fixed bank deposits		**87,790**	214,858
Bank balances and cash		**135,919**	100,314
		576,922	581,879
Current liabilities			
Amounts due to related companies	*9*	**4,181**	129
Creditors and accrued charges	*10*	**136,142**	126,475
Tax liabilities		**29,094**	29,848
Contract liabilities	*7*	**2,472**	—
		171,889	156,452
Net current assets		**405,033**	425,427
Net assets		**462,935**	451,149
Capital and reserves			
Share capital		**12,340**	12,360
Reserves		**450,595**	438,789
Total equity		**462,935**	451,149

NOTES:

1. GENERAL INFORMATION

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 and high voltage power substation construction and its system installation works, and provision of facilities management services.

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 Standards Board for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

The application of the new and amendments to IFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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.

Disaggregation of revenue from contracts with customers

	2019	2018
	MOP'000	*MOP'000*
Revenue from construction contracts		
Construction and fitting out works	**367,587**	333,559
High voltage power substation construction and its system installation works	**39,235**	175,379
	406,822	508,938
Provision of service income		
Facilities management services	**92,123**	88,634
	498,945	597,572
Timing of revenue recognition		
Over time	**498,945**	597,572

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

	2019	2018
	MOP'000	*MOP'000*
Current tax		
Macau Complementary Tax	**9,115**	9,869
Overprovision in prior years	**(1,404)**	(538)
	7,711	9,331

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:

	2019	2018
	MOP'000	*MOP'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**56,332**	55,014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,198,812**	1,171,726

For the years ended 31 December 2019 and 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 2019.

6. CONTRACT ASSETS

	2019	2018
	MOP'000	*MOP'000*
Contract assets from contract with customers	**111,600**	30,212
Less: Allowance for credit losses	**(2,478)**	(349)
	109,122	29,863

	2019	2018
	MOP'000	*MOP'000*
Represented by:		
Construction and fitting out works	**104,774**	23,850
High voltage power substation construction and its system installation works	**4,348**	5,885
Facilities management services	**—**	128
	109,122	29,863

	2019	2018
	MOP'000	*MOP'000*
Analysed as current		
Unbilled revenue	**71,179**	—
Retention receivables	**37,943**	29,863
	109,122	29,863

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.

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

Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits and typically 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 31 December 2019, retention money held by customers for contract works amounted to MOP37,943,000 (2018: MOP29,863,000) of which MOP6,890,000 (2018: 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 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.

	2019	2018
	MOP'000	*MOP'000*
Within one year	**7,270**	14,188
After one year	**30,673**	15,675
	37,943	29,863

As at 31 December 2019, included in the Group's contract assets are debtors with a carrying amount of MOP5,272,000 (2018: MOP3,805,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

7. CONTRACT LIABILITIES

	2019	2018
	MOP'000	*MOP'000*
Advance from customers	**2,472**	—

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

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

Construction contracts

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

8. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019	2018
	MOP'000	*MOP'000*
Trade receivables from contract with customers	**141,390**	150,443
Less: Allowance for credit losses	**(2,597)**	(2,294)
	138,793	148,149
Other debtors, deposits and prepayments		
— Deposits	**1,216**	998
— Prepayments	**27,398**	4,219
— Others	**3,639**	1,027
	171,046	154,393

Trade receivables

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

	2019	2018
	MOP'000	*MOP'000*
0–90 days	**126,971**	94,594
91–365 days	**6,332**	50,137
1–2 year	**5,326**	3,388
Over 2 years	**164**	30
	138,793	148,149

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of MOP26,367,000 (2018: MOP60,458,000) which are past due as at the reporting date. Out of the past due balances, MOP8,204,000 (2018: MOP30,430,000) 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.

9. 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 amounts due from related companies (trade receivables), presented based on invoice date at the end of the reporting period.

	2019	2018
	MOP'000	*MOP'000*
0–90 days	**27,161**	45,154
91–365 days	**—**	11,024
Over 1 year	**—**	784
	27,161	56,962

As at 31 December 2019, included in the Group's amounts due from related companies (trade receivables) are receivables with a carrying amounts of nil (2018: MOP21,928,000) which are past due as at the reporting date. As at 31 December 2018, out of the past due balances, MOP11,481,000 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.

(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.

	2019	2018
	MOP'000	*MOP'000*
Within 90 days	**4,181**	5

10. CREDITORS AND ACCRUED CHARGES

	2019	2018
	MOP'000	*MOP'000*
Trade payables	**34,221**	36,438
Retention payables	**6,149**	5,135
Other creditors and accrued charges		
— Accrued staff costs	**14,376**	13,855
— Accrued construction costs	**77,654**	61,881
— Other accruals	**3,742**	9,166
	136,142	126,475

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:

	2019	2018
	MOP'000	*MOP'000*
0–90 days	**34,221**	36,035
91–365 days	**—**	403
	34,221	36,438

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.

	2019	2018
	MOP'000	*MOP'000*
On demand or within one year	**2,204**	1,344
After one year	**3,945**	3,791
	6,149	5,135

11. DIVIDENDS

	2019	2018
	MOP'000	*MOP'000*
2019 Interim — Nil (2018: 2018 Interim of HK1.0 cent (equivalent to MOP1.03 cents) per share)	**—**	12,360
2018 Final — HK3.4 cents (equivalent to MOP3.5 cents) (2018: 2017 Final of HK6.7 cents (equivalent to MOP6.9 cents) per share)	**41,957**	82,812
	41,957	95,172

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK4.5 cents (2018: HK3.4 cents) per share, totalling HK$53,914,000 (2018: HK$40,735,000), for the year ended 31 December 2019, to the shareholders of the Company. The payment of the final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

12. SUBSEQUENT EVENT

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in the world and the subsequent quarantine measures imposed has had an impact on the Group's operations. The Directors are monitoring the financial impact that COVID-19 will have on the Group's consolidated financial statements as at the date that these financial statements are authorised for issue.

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 2019.

During the Year, due to uncertain macro-economic environment and the transition of the new Macau government, there were delays in government approval of the construction projects and decreasing number of project tenders in the Macau construction industry. Later in the Year, the market improved gradually with a number of favorable factors. According to government statistics, Macau recorded negative year-on-year growth in gross domestic product (GDP) in 2019, which was mainly due to a decline in core gaming revenue, decreased spending in high-end retail and a slowdown in fixed investments. Gaming industry as the economic pillar of Macau that has influence over the development of various industries has been affected by factors such as the slowdown of the Chinese economy and the China-US trade war. Casino expansion and renovation plans have hence been postponed. The construction industry, in particular, bore the brunt. In addition, the change of the Macau government in the first half of the Year has led to a delay in project approvals, thereby slowing down the progress of both public and private projects. However, with smooth transition of the new Macau government, the project approval progress has resumed to normal. For the private market, some gaming companies aggressively sought opportunities by adjusting their deployment and launching a number of projects in the second half of the Year. They also intended to reform the composition of casino buildings, including shrinking the size of VIP halls, expanding mass gambling halls and adding more non-gaming facilities, to increase their attractiveness. Such deployments have driven the demand for structural steelworks, improvement works for existing facilities and regular maintenance works, bringing great opportunities to the Group.

At the same time, the Central Government strongly supported Macau's construction expansion and multiple key infrastructures were put into operation, which have pushed forward the development of public and private projects. President Xi Jinping visited Macau on the 20th anniversary of Macau handover, and expressed the Central Government's support to Macau's engagement in the Greater Bay Area planning. He also advocated diversification in Macau's economy to give new impetus to the city, with key development focus on conventions and exhibitions, traditional Chinese medicine, and featured finance industries. During the Year, a number of infrastructure projects, such as the Hong Kong-Zhuhai-Macau Bridge, the Taipa Light Rail Line and the New Hengqin Port commenced operation successively and stimulated the inflow of visitors. In total, more than 39.4 million visitors to Macau were recorded, representing approximately 10% increase comparing with the figure in 2018. All these measures are beneficial to Macau's economy and have created a positive development atmosphere for the construction market.

As one of the few construction companies in Macau that is capable of handling highly challenging integrated construction engineering projects, MECOM is always fully prepared and keeps close attention to the project tendering opportunities in public and private markets. During the Year, the Group secured contracts with a total value of over MOP800 million, covering integrated works for hotels and resorts and the Public Prosecutions Office of Macau project (Phase II). The latter project, which has a total contract sum of over MOP62 million, is mainly for the provision of extra low voltage system, ventilation and air-conditioning system. In addition, we continue to obtain contracts on facilities management, alteration and engineering works from hotels, casinos and resorts, bringing stable cash flow to the Company. Over the years, MECOM has established high reputation and successfully secured more and larger engineering contracts from its partners and new customers. Such achievements represent customers' recognition on our construction quality and engineering management capabilities. We have also gained larger market share in the increasingly competitive construction industry.

Stepping into 2020, the Group leverages on its outstanding construction capability and continues to achieve excellent results. In early 2020, MECOM was awarded a new project for hotel podium façade works with a total contract value of more than MOP460 million. Subsequently, MECOM formed a joint venture with two subsidiaries of a state-owned enterprise to undertake a substantial part of the structure construction and construction site management works for the HK$6.5 billion new hotel complex in Cotai, Macau. By establishing the joint venture with the state-owned enterprise, the Group is confident to embrace more opportunities of quality engineering contracts and further increase its revenue and market share. Furthermore, the management has carried out project contracting for electric and mechanical ("E&M") systems gradually. By fully tapping into the edge of existing E&M talents, the Group strives for a larger share of construction works and a higher total contract sum for E&M system engineering works. We anticipate that the Group will continuously diversify its construction business to enhance profitability and cope with market demands.

Yet, the unexpected global outbreak of COVID-19 drove down the number of visitors to Macau during the Chinese New Year holiday. Gaming facilities were suspended due to prevention protocols, which might affect the gaming enterprises' construction plans and added uncertainties to the construction market. Nonetheless, some gaming enterprises speeded up their renovation works for operating facilities due to the slowdown of the industries. We successfully secured more alteration and addition works and thereby increased our market share in the segment. Equipped with its own Macau engineering team, MECOM is able to quickly adapt to the requirements in alteration and addition works. This effectively minimises the impact of market fluctuations on the number of construction projects that the Group engages. We will continue to closely monitor the market environment and timely adjust our deployment in response to possible changes.

In the long run, MECOM remains confident about the prospects of Macau, which has strong economic fundamentals and steady development pace. We will embrace challenges and opportunities with cautious optimism. Currently, Macau continues to become a global tourism and leisure center. Coupled with the fact that six gambling licenses will be open for re-auction upon expiration in 2022, the existing gaming enterprises are carrying out expansion plans and improving existing facilities to increase competitiveness for renewing the gambling licenses; other new companies which intend to compete for the licenses are also likely to establish their bases to boost competitive strength. It is expected that the demand for gaming and resort facilities as well as the construction project scales will increase drastically. Gambling and tourism are the focus of future development for Macau. According to a report by the tourism website “Ctrip”, six out of the top-ten popular tourist attractions in Macau are integrated gaming resorts. In addition, gaming enterprises have committed billions of US dollars on the improvement, expansion and construction of new facilities in the coming years to attract more visitors. Multiple government infrastructure projects are also in full swing, among which, the infrastructure projects in New Town A Zone have already commenced, which involve construction of high-voltage power facilities, public housing and schools. The Macau government is also preparing for more major infrastructure projects, including the fourth Macau-Taipa cross-harbor bridge and the expanded light rail coverage. In the long term, research will also take place on the construction of the fifth passage between Macau and Taipa. These favorable factors are expected to generate fervent demand for structural steelworks and rare development opportunities to construction enterprises. The Group will also continue to strengthen its corporate governance and talent training, acquire new equipment, sharpen its competitiveness in pursing larger projects and consolidate its industry leadership.

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 strive for sustainable growth, while generating satisfactory returns for the shareholders.

Kuok Lam Sek
Executive Director and Chairman

30 March 2020

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 three major segments, namely construction and fitting out works, high voltage power substation construction and its system installation works and provision for facilities management services.

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.

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.

BUSINESS REVIEW

During the Year, Macau's construction market grew at a slightly slower pace due to a number of factors. As the Macau government devoted abundant resources in preparation for the election of Chief Executive in the first half of the Year and large-scale construction projects completed construction gradually, government approval on construction projects was delayed. Together with the overshadowing of the global economy by the China-US trade dispute and the slowdown of China's economy, the construction investment market has taken on a cautious note in general. According to official data, private construction investment shrank by 20.4%, 25.1% and 26.3% year-on-year in the first three quarters, reflecting conservative investment sentiment in the market, which contributed to a decline in the number of newly commenced projects in Macau. Nevertheless, following the smooth transition of the new Macau government, the Macau government has increased project investment in the second half of the Year, leading to a 131.3% surge in public construction investment in the third quarter and stimulating the market demand for construction works. Meanwhile, the private market has progressively launched or resumed planned projects for expansion and improvement works.

In terms of business operation, the proprietary core technology for structural steelworks, civil engineering services and fitting out and improvement works remains a major revenue source for the Group, followed by facilities management services and high voltage power substation construction and its system installation works. During the Year, the Group continued to leverage its proven track record and solid customer relations to secure over 30 projects, with a total value of over MOP800 million, including the integrated projects of hotels and resorts, provision of extra low voltage system, and ventilation and air-conditioning system for the Public Prosecutions Office of Macau (Phase II), as well as hotel-related construction and fitting out works and facilities management services projects. Still, the construction progress of these projects was stalled due to the aforementioned complex and ever-changing environmental factors. It was not until the second half of the Year when favourable factors emerged such as the successful government transition and the smooth progression of a major project in Taipa, resulting in an accelerated revenue growth. With respect to high voltage substation construction and its system installation works, the segment contributed less revenue to the Group because the Macau government did not launch relevant projects and the Group had completed most of the works of the theme park for private casino gaming operator in Macau. During the Year, the Group focused on serving its existing clients, while reaching to new customers to secure more contracts for facilities management, alteration and engineering works. This resulted in a steady climb in the revenue contribution from maintenance works, which have short construction periods and bring about a stable number of projects, bringing stable and sustainable cash flows to the Group.

MECOM boasts solid growth and an impressive engineering record. These achievements have not only provided the Group with greater success in securing major projects, but also allowed the Group to become the main contractor in most of such construction projects. The key position that the Group holds in these projects has enabled greater flexibility for the Group when subcontracting and has significantly improved efficiency in labour allocation, thereby lifting the Group's overall profit margin. The Group also managed to establish a joint venture with two subsidiaries of a state-owned enterprise to boost its chances of success in future project tendering. The joint venture could offer tremendous impetus to the Group's future development as the two partners have well-established track record and great market recognition.

For overall business during the Year, the majority of the Group's revenue was realised in the second half of the Year, with a total income of MOP498.9 million (2018: MOP597.6 million). The Group performed well through strict control on costs and expenses, coupled with high quality projects at hand and an array of premium clients, all of which brought about a moderate rise in gross profit margin and net profit margin to 20.5% and 11.3% respectively (2018: 18.5% and 9.2%).

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue in 2019 and 2018:

	2019		2018	
	MOP'000	*%*	*MOP'000*	*%*
Construction and fitting out works	**367,587**	**73.7**	333,559	55.8
High voltage power substation construction and its system installation works	**39,235**	**7.9**	175,379	29.4
Facilities management services	**92,123**	**18.4**	88,634	14.8
Total	**498,945**	**100.0**	597,572	100.0

The Group recorded revenue of MOP498.9 million for the Year, which represented a year-on-year decline of 16.5% (2018: MOP597.6 million). Such decrease was due to a decrease of MOP136.1 million or 77.6% in the revenue from high voltage power substation construction and its system installation works.

The lower revenue from high voltage power substation construction and its system installation works was mainly due to the fact that we have made substantial progress with the E&M works contract for the 110/11KV high voltage power substation of the theme park for a casino gaming operator in Macau during 2018. This, together with a decline in new projects in the relative fields, resulted in lower revenue from the segment.

Revenue from construction and fitting out works grew by 10.2% year-on-year to MOP367.6 million (2018: MOP333.6 million). Such compromised growth was caused by unexpected delays experienced by the clients of the Group in obtaining construction project approval, construction work licensing and work permits for foreign workers from the relevant regulatory and supervisory authorities in Macau during the first half of 2019, resulting in delays in constructions.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during 2019 and 2018:

	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	MOP'000	***%***	*MOP'000*	*%*
Construction and fitting out works	**87,933**	**23.9**	77,637	23.3
High voltage power substation construction and its system installation works	**3,563**	**9.1**	27,689	15.8
Facilities management services	**10,729**	**11.6**	4,957	5.6
Total/overall	**102,225**	**20.5**	110,283	18.5

The Group recorded a gross profit of MOP102.2 million for the Year, which represented a year-on-year decrease of 7.3% (2018: MOP110.3 million), which was primarily attributable to a decrease in contract revenue during the Year.

Our gross profit margin reached 20.5%, representing outstanding performance of the Group in the industry. The gross profit margin of the Group's construction and fitting out works remained stable at 23.9% and 23.3% in 2019 and 2018, respectively. The gross profit margin of high voltage power substation construction and its system installation works significantly decreased from 15.8% in 2018 to 9.1% in 2019 due to the decrease in revenue for the Year as disclosed above. The gross profit margin of facilities management services increase from 5.6% for 2018 to 11.6% for 2019 was primarily attributable to less repair and replacement costs incurred and less subcontracting works used for our facilities management and maintenance works and services in 2019.

In the second half of 2019, the Group also secured a number of large-scale projects as the main contractor, allowing it to be more flexible in subcontracting projects and arranging direct labour teams appropriately. Hence, our gross profit margin remained attractive.

Other income

Other income increased by MOP1.4 million or 32.5%. Such increase was partly attributable to an increase in rental income from the Group's industrial unit in Macau, which serves as a permanent base for the Group's centralised warehouse upon expiry of the existing tenancy in October 2019 and after redecoration.

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 MOP3.0 million for the Year. 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.

As at the date of initial application of IFRS 9 i.e. 1 January 2018, the Group's impairment losses of trade receivables, trade-nature amounts due from related companies and contract assets were MOP0.3 million.

Administrative expenses

Administrative expenses increased by MOP5.7 million or 16.0% (2018: MOP35.6 million). Such increase was mainly attributable to additional professional fees incurred in relation to the preparation of relevant instrument works as the Group picked up its pace in bidding during the Year.

Income tax expense

Income tax expense decreased by MOP1.6 million or 17.4% to MOP7.7 million, mainly due to (i) a decrease in gross profit; and (ii) an increase in administrative expenses as disclosed above.

Profit for the Year

The Group's profit for the Year increased slightly by MOP1.3 million or 2.4%, which was primarily attributable to (i) the combined effect of the abovementioned items; and (ii) no listing expenses being recognised for the Year (2018: MOP14.4 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

As at 31 December 2019, the Group had net current assets of MOP405.0 million (2018: MOP425.4 million). The current ratio of the Group at 31 December 2019 was 3.4 (2018: 3.7).

The Group continued to maintain a healthy liquidity position. As at 31 December 2019, the Group had total cash and bank balances (including fixed bank deposits) of MOP223.7 million (2018: MOP315.2 million).

As at 31 December 2019, the Group's unutilised credit facilities was MOP312.0 million (2018: MOP234.0 million).

As at 31 December 2019, the Group had no bank borrowings (2018: Nil) and the Group's gearing ratio (calculated by dividing total debts with total equity) was zero (2018: zero).

As at 31 December 2019, the Company's share capital and equity amounted to MOP12.3 million and MOP450.6 million, respectively (2018: MOP12.4 million and MOP438.8 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 31 December 2019, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

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

The Group had no significant investments and no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year.

Save as disclosed in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 31 December 2019.

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 as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 28 February 2019.

The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2019:

	Revised applications *(HK$ million)*	**Actual usage up to 31 December 2019** *(HK$ million)*
Financing the issuance of performance bonds when undertaking new projects *(Note 1)*	112.4	44.2
Establishing storage facilities *(Note 2)*	44.3	44.3
Recruiting additional staff *(Note 1)*	45.2	40.7
Acquiring additional machinery	16.8	15.0
Financing the upfront costs for new projects *(Note 2)*	16.7	16.7
General working capital	26.2	26.2
	261.6	187.1

Notes:

1. The Group experienced delay in several new projects since 2018 due to delays in obtaining construction project approval, construction work licensing and work permits for foreign workers from the relevant regulatory and supervisory authorities in Macau. Project approval resumed normality in the second half of the Year. To the best knowledge and belief of the Directors, the unutilised amounts of the net proceeds are expected to be fully utilised during the year ending 31 December 2020 to 2021.

   Up to the date of this announcement, the Group has utilised HK$53.2 million and HK$45.2 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 to serve as a permanent base for the Group's centralised warehouse, the Board had resolved to reallocate the then remaining unutilised balance of the net proceeds of approximately HK$16.7 million that was earmarked for the purpose of strengthening the Group's storage facilities for equipment and materials towards the financing of upfront costs (i.e. raw materials costs, labour costs and subcontracting costs) for new projects. Please refer to the aforesaid announcement for further information.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged bank deposits of MOP42.4 million (2018: MOP22.6 million), that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019.

COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: MOP34,835,000).

EMPLOYEES AND REMUNERATION POLICY

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

As a main contractor for some of the projects we undertake, we apply for work permits for our non-Macau resident workers on a project-by-project basis. As at 31 December 2019, the Group had 269 (2018: 271) employees in Hong Kong and Macau, comprising 77 Macau residents and 192 non-Macau residents (2018: 79 Macau residents and 192 non-Macau residents).

The Company has adopted a share option scheme (the "Share Option Scheme") on 23 January 2018, which was effective upon the Listing. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. No share option had been granted under the Share Option Scheme during the Year. As at 31 December 2019, none of the options granted had been exercised or lapsed.

PROSPECTS

Looking forward into 2020, the global outbreak of COVID-19 at the beginning of 2020 has led to short-term suspension of casinos and other entertainment venues in Macau, affecting the development plans of gaming businesses and resort operators, thus adding to the uncertainties for the construction industry. This, however, has a limited impact on our project progression since part of our construction team is from Macau and mainland provinces and cities which have not been heavily affected by the epidemic.

With regards to development plan, MECOM endeavors to develop as a one-stop solution provider for high-quality and professional integrated construction services. Apart from provision of main structural steelworks that showcases our superb techniques, we proactively provide repair and maintenance works for our existing customers and undertake E&M system works contracts to further expand the Company's business and consolidate its market leadership amongst Macau's integrated construction works enterprises. As of 31 December 2019, our total aggregate value of contracts on hand yet to complete amounted to MOP701 million. Together with the successful tendering of over MOP460 million worth construction and fitting out works of a hotel in early 2020, the Group recorded over MOP1.1 billion in total aggregate value of contracts on hand yet to complete in the first quarter of 2020. The joint venture co-established by our Group and two subsidiaries of a state-owned enterprise is expected to undertake the main portion of the new hotel construction works worth HK$6.5 billion in Cotai, which manifests the Group's success in bolstering the chances of winning quality projects through the joint venture and thereby further amplifies our profitability and market competitiveness.

With regards to the external factors, the successful transition of the new Macau government and the continuous promotion of Macau as the world's tourism and leisure centre will bring along long-term positives and impetus to Macau's economic development. Gaming businesses are also expected to ramp up their construction demand and present growth momentum to Macau's construction market. As such, Macau is expected to enjoy a promising long-term development.

Nonetheless, amidst the uncertainty of the epidemic, MECOM will remain cautiously optimistic with enhanced internal management and business deployment to respond to future challenges. It will also keep searching for market opportunities, including identifying new clienteles and expanding business to the Greater Bay Area market, in order to secure a larger market share and better returns for shareholders.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK4.5 cents per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on 5 June 2020. 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 or about 29 June 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 29 May 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (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 forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 May 2020.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The payment of the proposed final dividend for the year ended 31 December 2019 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 Thursday, 4 June 2020 to Friday, 5 June 2020 (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 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, 3 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of 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 of 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 year ended 31 December 2019.

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 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all the Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

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, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

The Company repurchased 1,918,000 shares with par value of HK$0.01 each ("Shares", each a "Share") on the Stock Exchange during the Year. The total consideration (including transaction costs) of the repurchases was HK$2,513,380. All of the repurchased Shares were cancelled during the Year. Particulars of the repurchases are as follows:

Month	**Number of Shares repurchased**	**Purchase price per Share**		**Aggregate consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
April 2019	1,918,000	1.50	1.18	2,513,380

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

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

AUDIT COMMITTEE

The Company has established the audit committee of the Board (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 (the Chairlady of the Audit Committee), 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.

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 2019 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 2019 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 2019 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, 30 March 2020

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.