MECOM POWER AND CONSTRUCTION LIMITED
澳能建設控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1183)
(Warrant code: 2242)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "Board") of directors (the "Directors") of MECOM Power and Construction Limited ("MECOM" or the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2022 (the "Period"), together with the comparative figures for the corresponding period in 2021 (the "Previous Period") as follows:

FINANCIAL HIGHLIGHTS

- Revenue increased by 42.7% to MOP592.2 million (the Previous Period: MOP414.8 million).
- The Group continued to diversify its existing business in 2022, with the new business segment generating revenue of MOP209.3 million, accounting for 35.3% of total revenue (the Previous Period: nil).
- Gearing ratio was zero (31 December 2021: zero) with no bank borrowings (31 December 2021: nil). Cash and bank balances (including fixed bank deposits) were MOP145.8 million (31 December 2021: MOP224.8 million).
- Aggregate value of contracts on hand yet to complete from the construction business was MOP883.5 million (31 December 2021: MOP873.6 million).
- Recommended interim dividend of HK$1.5 cents per share (HK$2.8 cents per share for the Previous Period).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022
(Expressed in Macanese Pataca ("MOP"))

	Notes	Six months ended **30.6.2022** ***MOP'000*** **(Unaudited)**	30.6.2021 *MOP'000* (Unaudited)
Revenue	*3*	**592,168**	414,849
Cost of services		**(519,341)**	(335,821)
Gross profit		**72,827**	79,028
Other income and loss		**498**	940
Impairment losses under expected credit loss model, net of reversal		**812**	(1,264)
Administrative expenses		**(17,735)**	(15,822)
Share of profit of associates		**2,893**	353
Profit before tax		**59,295**	63,235
Income tax expense	*4*	**(5,269)**	(8,669)
Profit for the period		**54,026**	54,566
Other comprehensive expense			
Item that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(6,500)**	–
Total comprehensive income for the period		**47,526**	54,566
Profit for the period attributable to:			
Owners of the Company		**51,910**	54,566
Non-controlling interests		**2,116**	–
		54,026	54,566
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**47,704**	54,566
Non-controlling interests		**(178)**	–
		47,526	54,566
Basic earnings per share (MOP cents)	*5*	**1.94**	2.03*
Diluted earnings per share (MOP cents)	*5*	**1.94**	2.03*

* The earnings per share of the Group for the six months ended 30 June 2021 was adjusted and restated for the bonus issue of shares in June 2022.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30.6.2022** **_MOP'000_** **(Unaudited)**	31.12.2021 *MOP'000* (Audited)
Non-current assets			
Property, plant and equipment		**55,290**	53,260
Interests in associates		**10,640**	7,747
		65,930	61,007
Current assets			
Inventories		**45,806**	–
Contract assets	*6*	**91,322**	94,460
Trade and other receivables	*7*	**517,619**	256,423
Amounts due from related companies	*8*	**15,259**	14,930
Pledged bank deposits		**35,895**	31,158
Fixed bank deposits		**–**	45,358
Bank balances and cash		**145,751**	179,451
		851,652	621,780
Current liabilities			
Amounts due to related companies	*8*	**226**	1,258
Trade payables and accrued charges	*9*	**382,859**	209,332
Tax liabilities		**29,938**	24,669
Dividend payable		**30,650**	–
		443,673	235,259
Net current assets		**407,979**	386,521
Net assets		**473,909**	447,528
Capital and reserves			
Share capital		**27,533**	18,358
Reserves		**405,438**	429,170
Equity attributable to owners of the Company		**432,971**	447,528
Non-controlling interests		**40,938**	–
Total equity		**473,909**	447,528

NOTES:

1. BASIS OF PREPARATION

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

The Company was incorporated in the Cayman Islands with limited liability.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the consolidated financial statements for the year ended 31 December 2021 of the Group.

Application of amendments to IFRSs

In the current interim period, the Group has applied the amendments to International Financial Reporting Standards ("IFRSs") issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

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

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on (1) construction and fitting out works, (2) high voltage power substation construction and its system installation works, (3) electrical and mechanical ("E&M") engineering services works, (4) facilities management services, (5) sale of electric vehicle ("EV") charging systems, (6) subscription fee income; and (7) sales, trading and processing of metal materials.

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance is focused on the category of services provided. During the current period, the Group has diversified its existing business by entering into the steel structures business. The Group's reportable segments under IFRS 8 *Operating Segments* are therefore as follows:

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

(2) EV charging business – the sale of EV charging systems and subscription fee income; and

(3) Steel structures business – the sale, trading and processing of metal materials.

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

(i) Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2022	30.6.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Construction business		
Construction and fitting out works	**261,970**	278,595
High voltage power substation construction and its system installation works	**243**	12,185
E&M engineering services works	**80,298**	90,892
Facilities management services	**39,988**	33,149
	382,499	414,821
EV charging business		
Sale of EV charging systems	**245**	26
Subscription fee income	**112**	2
	357	28
Steel structures business		
Sale, trading and processing of metal materials	**209,312**	–
	592,168	414,849
Timing of revenue recognition		
A point in time	**209,557**	26
Over time	**382,611**	414,823
	592,168	414,849

(ii) Segment information

Six months ended 30 June 2022

	Construction business *MOP'000* (Unaudited)	EV charging business *MOP'000* (Unaudited)	Steel structures business *MOP'000* (Unaudited)	Total *MOP'000* (Unaudited)
Revenue from external customers	382,499	357	209,312	592,168
Segment results	54,121	(2,690)	6,222	57,653
Unallocated other income				8
Central administration costs				(1,259)
Share of profit of associates				2,893
Profit before tax				59,295

Six months ended 30 June 2021

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

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

(iii) Geographical information

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

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

	Revenue from external customers Six months ended		Non-current assets	
	30.6.2022	30.6.2021	**30.6.2022**	31.12.2021
	MOP'000	*MOP'000*	***MOP'000***	*MOP'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Macau	**569,303**	414,849	**58,514**	56,918
The PRC	**22,865**	–	**7,416**	4,089
	592,168	414,849	**65,930**	61,007

4. INCOME TAX EXPENSE

	Six months ended	
	30.6.2022	30.6.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current tax		
– Macau Complementary Tax	**7,018**	8,641
– PRC Enterprise Income Tax	**4**	–
	7,022	8,641
(Over) under provision in prior years	**(1,753)**	28
	5,269	8,669

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

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

Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at a rate of 25% on the assessable profit for the six months ended 30 June 2022.

No provision for taxation in Hong Kong have been made as losses are resulted for subsidiaries operating in this jurisdiction.

At the end of the current interim period, the Group has unused tax losses of MOP7,131,000 (31 December 2021: MOP4,432,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of MOP3,048,000, MOP999,000, MOP1,374,000 and MOP1,685,000 (31 December 2021: MOP3,048,000, nil, MOP1,374,000 and nil) that will expire in 2024, 2025, 2026 and 2027, respectively. Other losses may be carried forward indefinitely.

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:

	Six months ended	
	30.6.2022	30.6.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**51,910**	54,566
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,673,269**	2,685,077
Effect of dilutive ordinary shares – share options	**–**	396
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,673,269**	2,685,473

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue of shares on 29 June 2022. As such, basic and diluted earnings per share for the six months ended 30 June 2021 have been restated.

6. CONTRACT ASSETS

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Contract assets from contract with customers	**92,989**	96,205
Less: Allowance for credit losses	**(1,667)**	(1,745)
	91,322	94,460

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Represented by:		
Construction and fitting out works	**76,971**	80,252
High voltage power substation construction and its system installation works	**2,491**	2,491
E&M engineering services works	**11,329**	11,186
Facilities management services	**531**	531
	91,322	94,460

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Analysed as current		
Unbilled revenue	**3,587**	5,673
Retention receivables	**87,735**	88,787
	91,322	94,460

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 net offs the deposits with first payments. Unbilled revenue included in contract assets represents the Group's rights to receive consideration for works completed but not yet billed because the exercise of such rights is conditional upon customers' satisfaction on the contract works completed by the Group, customers' or external surveyors' issuance of certification on the works or the payment milestones being met. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains certification of the completed contract works from customers or external surveyors or meets payment milestones.

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

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

As at 30 June 2022, retention money held by customers for contract works amounted to MOP87,735,000 (31 December 2021: MOP88,787,000), of which MOP2,324,000 (31 December 2021: MOP2,324,000) represented the retention money held by related companies. Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract ranging from one year to two years from the date of the completion of the respective projects.

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

	30.6.2022 ***MOP'000*** **(Unaudited)**	31.12.2021 *MOP'000* (Audited)
Within one year	**7,232**	8,329
After one year	**80,503**	80,458
	87,735	88,787

7. TRADE AND OTHER RECEIVABLES

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**406,367**	234,763
Less: allowance for credit losses	**(6,382)**	(6,982)
	399,985	227,781
Other debtors, deposits and prepayments		
– Deposits	**1,111**	1,258
– Prepayments	**79,549**	24,251
– Others	**36,974**	3,133
	517,619	256,423

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:

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
0 – 90 days	**360,567**	214,907
91 – 365 days	**35,810**	11,270
1 – 2 years	**2,290**	300
Over 2 years	**1,318**	1,304
	399,985	227,781

As at 30 June 2022, included in the Group's trade receivables balance are debtors with carrying amount of MOP111,124,000 (31 December 2021: MOP28,160,000) which are past due as at the reporting date. Out of the past due balances, MOP30,410,000 (31 December 2021: MOP5,329,000) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there had not been a significant change in credit quality, the amounts are still considered recoverable.

8. AMOUNTS WITH RELATED COMPANIES

Amounts due from related companies (trade-nature)

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

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
0 – 90 days	**–**	342
91 – 365 days	**11,742**	11,617
	11,742	11,959

As at 30 June 2022, included in the Group's trade-nature amounts due from related companies with carrying amount of MOP11,742,000 (31 December 2021: MOP11,736,000) which are past due as at the reporting date. Out of the past due balances, MOP11,742,000 (31 December 2021: MOP11,617,000) has been past due more than 90 days and is not considered as in default. The Group does not hold any collateral over these balances. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

9. TRADE PAYABLES AND ACCRUED CHARGES

	30.6.2022	31.12.2021
	MOP'000	MOP'000
	(Unaudited)	(Audited)
Trade payables	**212,217**	68,742
Retention payables	**29,560**	33,033
Other payables and accrued charges		
– Accrued staff costs	**10,775**	15,164
– Accrued construction costs	**87,993**	71,303
– Other accruals	**18,611**	13,674
– Other payables	**23,703**	7,416
	382,859	209,332

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:

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
0 – 90 days	**212,021**	68,526
91 – 365 days	**196**	216
	212,217	68,742

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.

	30.6.2022	31.12.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
On demand or within one year	**1,247**	477
After one year	**28,313**	32,556
	29,560	33,033

10. DIVIDENDS

	Six months ended	
	30.6.2022	30.6.2021
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
2021 Final – HK$3.3 cents (equivalent to MOP3.4 cents) (2021: 2020 Final – HK$3.0 cents (equivalent to MOP3.09 cents)) per share	**60,573**	36,817

The Directors have determined that an interim dividend for the six months ended 30 June 2022 of HK$1.5 cents (equivalent to MOP1.55 cents) per share, representing a total amount of approximately HK$40,097,000 (equivalent to approximately MOP41,300,000), shall be paid to the shareholders of the Company whose names appear in the register of members on 15 September 2022 (30 June 2021: 2021 interim dividend of HK$2.8 cents (equivalent to MOP2.88 cents) per share, representing a total amount of approximately HK$49,999,000 (equivalent to approximately MOP51,499,000)).

MANAGEMENT DISCUSSION & ANALYSIS

COMPANY OVERVIEW

The Group is a leading company in both the civil engineering industry and the high voltage power substation construction industry in Macau. It undertakes highly challenging and complex construction projects in four major segments, namely construction and fitting out works, high voltage power substation construction and its system installation works, E&M engineering services works and provision of facilities management services. The Group is also engaged in provision of EV charging services. During the Period, the Group diversified its existing businesses by entering into the steel structures business which involves the sales, trading and processing of metal materials.

The Group's construction and fitting out works comprise structural steelworks services, civil engineering construction services and fitting out and improvement works. Structural steelworks services generally involve the provision of customised and target-oriented steel structure erection services including structural steelworks, concreting and builder works, and the integration of these constructional methods for building highly efficient structures. Civil engineering construction services generally cover demolition, ground field investigation, site formation and foundation works, as well as substructures and superstructures, roads and drainage. Fitting out and improvement works generally involve alteration, renovation and upgrading works of various types, including preparation of shop drawings, modification, removal and installation of equipment and general improvement works.

High voltage power substation construction and its system installation works involve the provision of planning, scheduling, project management and construction services for customised high-voltage substations and complex power transmission infrastructures installed with high voltage power systems.

E&M engineering services works generally involve a combination of the supply and/or installation of (i) low voltage ("LV") systems works; (ii) heating, ventilation and air-conditioning ("HVAC") systems works; and (iii) extra low voltage ("ELV") systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of our E&M engineering services works. LV systems works include the supply and installation of cables, earthing, lighting systems, power cables, electrical wiring, switchboards, power outlets and other related electrical equipment that relates to the power supply and distribution within a building. HVAC systems works include the supply and installation of variable refrigerant volume units, ventilation and exhaust air systems for buildings, as well as the supply and installation of related pipes, ducts, air-conditioning units, ventilation fans and other related equipment. ELV systems works include the procurement and installation of telephones, closed-circuit television (used for security video surveillance purposes) and any other systems within a building that require a transmission signal.

The Group also undertakes facilities management services, which involve the provision of facilities operation and maintenance management, alteration, upgrading, maintenance works and emergency repairs of various buildings, properties and their components (especially for hotels and resorts), high voltage power substations and their respective systems.

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

By entering into the steel structures business, the Group is also engaged in the supply of reinforced bars, steel sheet piles, galvanized sheets and other steel materials in various dimensions to the main contractors and/or construction companies for use in their construction projects, enabling it to cover the upstream industries of its principal construction business.

BUSINESS REVIEW

During the Period, the Group's revenue increased by 42.7% year-on-year to MOP592.2 million (the Previous Period: MOP414.8 million). Gross profit was recorded at MOP72.8 million (the Previous Period: MOP79.0 million). Compared with the Previous Period, profit for the Period remained stable at MOP54.0 million (the Previous Period: MOP54.6 million). Gross margin and net margin for the Period were 12.3% (the Previous Period: 19.0%) and 9.1% (the Previous Period: 13.2%), respectively.

Construction Business

As at 30 June 2022, the Group had contracts on hand yet to complete with an aggregate contract value of approximately MOP884 million. During the Period, the Group was awarded a number of projects for construction and fitting-out works and E&M engineering works, including the renewal of the term of services for three facility management services agreements, under which the Group shall provide operation and maintenance services for energy centres and mechanical, electrical and plumbing systems of hotel complexes; the provision of fitting-out and mechanical, electrical and plumbing works for a café and a corridor in a hotel complex; and the provision of air conditioning and ventilation systems for the superstructure works under public housing units in Lot B4 of New Urban Zone Area A. In addition, the Group has been awarded contracts for the provision of structural works for the main structure of the podium, tower and theatre; and supply and installation of fire shutter, smoke curtain, roller shutter and fire door for a hotel complex in a new integrated resort in Cotai. The total contract value of these projects amounted to approximately MOP380 million.

Steel Structures Business

According to market estimates, China may stage a strong rebound in the growth of fixed asset investments in infrastructure ranging from 9% to 10% this year, as compared to 1.8% for the period between 2020 and 2021, which will support a gradual growth recovery in the second half of 2022 and is expected to benefit the steel, cement, aluminum industries and those with substantial investments in infrastructure in China. In the first half of 2022, MECOM International New Materials Technology (Guangdong) Co., Ltd.* (澳能國際新材料科技（廣東）有限公司) ("MECOM International") and Ao Gang Construction (Macau) Limited (澳港建設（澳門）有限公司) ("Ao Gang Construction"), indirect non-wholly owned subsidiaries of the Company, have already secured order contracts for the supply of approximately 83,140.7 tons of reinforced bars, steel sheet piles, galvanized sheets and other steel materials in various dimensions which are to be delivered from April 2022 to May 2023 to business partners for use in their construction projects, unlocking a new milestone for the new business of the Group. During the Period, MECOM International and Ao Gang Construction delivered approximately 26,859.3 tons of steel materials and contributed MOP209.3 million to the Group's revenue. Customers include subsidiaries of large-scale state-owned enterprises (serving as the main contractors of integrated entertainment resort projects and government works projects), and construction companies in Macau and Hong Kong, etc. The Group will endeavour to keep abreast of the evolving market dynamics and complement China's national infrastructure strategy in the Greater Bay Area and grasp the huge business opportunities arising therefrom.

EV Charging Business

During the Period, MUCharging (Macau) Limited ("MUCharging"), an indirect wholly-owned subsidiary of the Company, entered into contracts for undertaking EV charging projects in Macau Fisherman's Wharf and several residential and commercial buildings, under which separate contracts are entered into with landlords and/or tenants of parking spaces for the provision of EV charging services. In addition, MUCharging has entered into memorandums of understanding with several real estate management companies in Macau with the intention of providing EV charging systems for residential and/or commercial buildings and/or shopping centres in Macau that are managed by them.

As at the date of this announcement, taking into account the memorandums of understanding entered into by the Group, the Group is under discussion and negotiation for potential EV charging projects covering around 12,850 private and public parking spaces in Macau. In addition, the Group has secured contracts for the provision of EV charging systems in residential property projects, commercial buildings and entertainment complex covering around 6,100 private and public parking spaces in Guangdong Province and Macau.

During the Period, MUCharging achieved a great breakthrough – it was appointed as the sole and exclusive distributor of I-Charging, Mobilidade Eléctrica, S.A. ("I-Charging") for product promotion, sale and distribution in Hong Kong, Macau and the Greater Bay Area of China. The brand, "blueberry", was presented by I-Charging to the market in three product family configurations, namely "blueberry", "blueberry PLUS" and "blueberry CLUSTER", with patented dynamicblue technology, providing ultra-fast charging solutions. Subsequent to entering into the distribution agreement, the Group will have access to a more comprehensive range of EV charging infrastructure and technical know-how in high power EV chargers, laying an important cornerstones for a more extensive geographical coverage of charging piles of the Group.

Electric Bike Battery-Swapping System Business

The charging cabinet service for lithium-ion phosphate batteries offered by MECOM Zhihui Energy Technology (Guangzhou) Co., Ltd.* (澳能智匯能源科技(廣州)有限公司) ("MECOM Zhihui"), an indirect non-wholly owned subsidiary of the Company, in Guangzhou, Guangdong Province, the PRC has been widely used by food delivery riders since its launch. In March 2022, MECOM Zhihui entered into a strategic cooperation memorandum with Guangzhou Shijia Technology Co., Ltd.* (廣州視加科技有限公司) ("Guangzhou Shijia"), under which Guangzhou Shijia shall exclusively operate the project for the provision of battery charging and swapping services at convenience service stations in the people's communities of People's Daily in Guangzhou (Rural Vitalization Service Stations for Party Building and Promotion)* (黨建黨宣鄉村振興服務站). Under this project, more than 2,000 electric charging stations will be set up in 2022 and 2023. Subject to discussion and negotiation and the signing of definitive agreement(s), MECOM Zhihui's battery-swapping systems are expected to be launched into the electric charging stations of Guangzhou Shijia.

Other Corporate Initiatives

During the Period, the Group issued bonus shares on the basis of one bonus share for every two existing shares, followed by a bonus issue of warrants to shareholders on the basis of one warrant for every ten shares. The purposes of these two initiatives by the Board were to reward the institutional investors and public shareholders for their long-term trust and support to the Group. Please refer to "Bonus issue of shares" and "Bonus warrants issue" below for details.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2022 and 2021:

	Six months ended			
	30.6.2022		30.6.2021	
	MOP'000	*%*	*MOP'000*	*%*
Construction business				
Construction and fitting out works	**261,970**	**44.2**	278,595	67.2
High voltage power substation construction and its system installation works	**243**	**0.0**	12,185	2.9
E&M engineering services works	**80,298**	**13.6**	90,892	21.9
Facilities management services	**39,988**	**6.8**	33,149	8.0
	382,499	**64.6**	414,821	100.0
EV charging business	**357**	**0.1**	28	0.0
Steel structures business	**209,312**	**35.3**	–	–
Total	**592,168**	**100.0**	414,849	100.0

The Group's revenue for the Period increased by MOP177.3 million or 42.7% to MOP592.2 million, in which MOP209.3 million was contributed from the steel structures business.

Revenue from construction business decreased by MOP32.3 million or 7.8%, which was mainly due to the fact that the Group had made substantial construction progress in various large-scale projects regarding the phase 2 development of a new hotel complex in Cotai, Macau during the year ended 31 December 2021.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin during the six months ended 30 June 2022 and 2021:

	Six months ended			
	30.6.2022		30.6.2021	
	Gross profit/(loss)	**Gross margin**	Gross profit/(loss)	Gross margin
	MOP'000	***%***	*MOP'000*	*%*
Construction business				
Construction and fitting out works	**37,837**	**14.4**	55,511	19.9
High voltage power substation construction and its system installation works	**5**	**2.1**	929	7.6
E&M engineering services works	**12,630**	**15.7**	17,235	19.0
Facilities management services	**14,487**	**36.2**	6,107	18.4
	64,959	**17.0**	79,782	19.2
EV charging business	**(1,314)**	**(368.1)**	(754)	(2,692.9)
Steel structures business	**9,182**	**4.4**	–	–
Total	**72,827**	**12.3**	79,028	19.0

The Group recorded a gross profit of MOP72.8 million for the Period, which represented a year-on-year decrease of 7.8%. Our gross margin decreased from 19.0% for the Previous Period to 12.3% for the Period.

Due to the outbreak of COVID in Macau in mid-June 2022, part of the construction and fitting out works progress were interrupted, which accounted for the surge in costs.

EV charging business generated gross loss for the Period because the Group incurred (i) costs for installation of EV charger facilities and charging cabinets for lithium-ion phosphate batteries in Macau and the Guangdong Province, the PRC; and (ii) depreciation costs.

Steel structures business generated gross profit of MOP9.2 million, or 4.4% gross margin for the Period.

Other income and loss

Other income and loss decreased by MOP442,000 or 47.0% during the Period, which was attributable to (i) the Group's recognition of exchange loss arising from its PRC operations; and (ii) the decrease in bank interest income due to the drop of the Group's fixed bank deposits balances.

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

The Group reversed MOP812,000 impairment losses of trade receivables, trade-nature amounts due from related companies and contract assets during the Period (Previous Period: impairment losses of MOP1,264,000). The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, trade-nature amounts due from related companies and contract assets. To measure the ECL, the Group has estimated the expected loss rates for the trade receivables, the trade-nature amounts due from related companies and the contract assets on the same basis.

Administrative expenses

Administrative expenses increased by MOP1.9 million or 12.1% mainly due to salaries, consultancy fee and other advertising costs incurred for the EV charging business and steel structures business.

Income tax expense

Income tax expense decreased by MOP3.4 million or 39.2% primarily due to (i) a decrease in gross profit; and (ii) reversal of over-provision of MOP1.8 million in prior years.

Profit for the Period

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's capital expenditure and daily operations during the Period were mainly funded by cash generated from its operations.

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

As at 30 June 2022, the Group had net current assets of MOP408.0 million (31 December 2021: MOP386.5 million). The current ratio of the Group as at 30 June 2022 was 1.9 (31 December 2021: 2.6).

The Group continued to maintain a healthy liquidity position. As at 30 June 2022, the Group had total cash and bank balances (including fixed bank deposits) of MOP145.8 million (31 December 2021: MOP224.8 million).

As at 30 June 2022, the Group's unutilised credit facilities was MOP187.5 million (31 December 2021: MOP187.8 million).

As at 30 June 2022, the Group had no bank borrowings (31 December 2021: nil) and the Group's gearing ratio (calculated by dividing total debts with total equity) was zero (31 December 2021: zero).

CAPITAL STRUCTURE

As at 30 June 2022, the Company's share capital and equity amounted to MOP27.5 million and MOP473.9 million, respectively (31 December 2021: MOP18.4 million and MOP447.5 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risks primarily through the purchase of raw materials and sale proceeds received from the customers that are denominated in a currency other than the Group entities' functional currency. The currencies giving rise to this risk are primarily Hong Kong dollars and Renminbi.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 Period.

Save as disclosed above and in the below section headed "Use of Net Proceeds from the Global Offering", the Group had no future plan for material investments or capital assets as at 30 June 2022.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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

The following table sets out the revised applications of the net proceeds and the actual usage up to 30 June 2022:

	Revised applications *(HK$ million)*	Actual usage up to 30 June 2022 *(HK$ million)*
Financing the issuance of performance bonds when undertaking new projects *(Note 1)*	112.4	97.8
Establishing storage facilities *(Note 2)*	44.3	44.3
Recruiting additional staff	45.2	45.2
Acquiring additional machinery	16.8	16.8
Financing the upfront costs for new projects *(Note 2)*	16.7	16.7
General working capital	26.2	26.2
	261.6	247.0

Notes:

1. The Group experienced delay in several new projects since 2018 due to delays in obtaining construction project approval, construction work licensing and work permits for foreign workers from the relevant regulatory and supervisory authorities in Macau. Project approval resumed normality in the second half of 2019. To the best knowledge and belief of the Directors and based on currently available information, the unutilised amounts of the net proceeds are expected to be fully utilised by 31 December 2022.

   Up to the date of this announcement, the Group has utilised HK$97.9 million of the total net proceeds for financing the issuance of performance bonds.

2. With reference to the Company's announcement dated 28 February 2019, as the Company had already acquired an industrial unit in Macau to serve as a permanent base for the Group's centralised warehouse, the Board resolved to reallocate the then remaining unutilised balance of the net proceeds of approximately HK$16.7 million that was earmarked for the purpose of strengthening the Group's storage facilities for equipment and materials towards the financing of upfront costs (i.e. raw materials costs, labour costs and subcontracting costs) for new projects. Please refer to the aforesaid announcement for further information.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had pledged bank deposits of MOP35.9 million (31 December 2021: MOP31.2 million), that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2022 (31 December 2021: nil).

COMMITMENTS

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: nil).

EMPLOYEES AND REMUNERATION POLICY

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

As a main contractor for some of the projects we undertake, we apply for work permits for our non-Macau resident workers on a project-by-project basis. As at 30 June 2022, the Group had 301 (31 December 2021: 295) employees in Hong Kong, Macau and the PRC, comprising 116 Macau residents and 185 non-Macau residents (31 December 2021: 92 Macau residents and 203 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. During the Period, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

PROSPECTS

According to data from the Statistics and Census Service of Macau, there were 3.465 million visitor arrivals in the first half of 2022, representing a decrease of 11.8% year-on-year. The border control between Zhuhai and Macau was tightened upon the occurrence of a confirmed COVID case in Macau in mid-June 2022, which resulted in a sharp plunge in the number of visitor arrivals in that month. The Macau government subsequently adopted stringent anti-pandemic measures by requiring all non-essential industrial and commercial companies and venues in Macau to suspend operations. As at the date of this announcement, with the number of COVID cases under control, industrial and commercial activities have resumed and the border control has been relaxed to the effect that all inbound visitors from China, except for certain places, are exempted from quarantine.

In the beginning of 2022, the International Monetary Fund projected that Macau's GDP would grow by 15.5% in 2022 driven by the gradual return of foreign tourists and the recovery of domestic demand. Although Macau has been hit by a new wave of COVID outbreak since mid-June 2022, its anti-pandemic measures have shown positive outcomes and it is believed that Macau will get its economy back on track in the near term. Morgan Stanley estimates that China will reopen its borders to Hong Kong and Macau in the second quarter of 2023, and the relaxation of the Individual Visit Scheme and the resumption of group tours will be carried out in the third or fourth quarter of the same year.

Under the framework of the Urban Master Plan of the Macau Special Administration Region (2020-2040) (《澳門特別行政區城市總體規劃(2020-2040)》), the Macau government has been promoting major urban infrastructure projects with a view to accommodating the traffic demand arising from the development of new reclaimed areas. It is also accelerating the legislative progress of the Legal System Governing Urban Renewal (《都市更新法律制度》) and pressing ahead of the reconstruction of the Iao Hon Estate (祐漢七棟樓群). Macau's future strong demand for infrastructure facilities benefits the entire construction industry, and companies having the ability of undertaking difficult and sophisticated projects will be able to attract a myriad of customers.

The existing six casino licences in Macau, which were due to expire on 26 June 2022, have been extended to 31 December this year according to the renewal contracts signed earlier by the Chief Executive of Macau, Mr. Ho Iat Seng. All of the licensed gaming operators and large-scale integrated resort operators have continued their efforts in facility upgrade and enrichment amid the pandemic in a bid to increase their chances for licence renewal and to attract visitors travelling to Macau from all over the world. This presents direct benefits to the Group's businesses of construction and fitting-out works and facilities management services.

The Macau government has conducted a public consultation on the Macau Road Traffic and Transport Planning Study (2021-2030) (《澳門陸路整體交通運輸規劃(2021-2030)》), in which the development of EV charging piles will become one of the most important topics, which is in line with the Group's growth direction and strategy. Achieving the "dual-carbon" goals, specifically carbon peak and carbon neutrality, is a national policy of China, which will be conducive to the development of the new-energy electric vehicle industry in the long run. The Group is developing charging systems with different speeds, namely slow, medium and fast, and a smart charging network, to meet the diverse demands of drivers in Macau and the Greater Bay Area of China. For lithium-ion phosphate batteries developed with our joint venture partner, Guangdong Zhihui Technology Development Co., Ltd.* (廣東智匯技術發展有限公司), with its outstanding performance in safety, efficiency and competitiveness, the product offering is expected to extend its market reach to cover other cities in the Greater Bay Area of China. In order to unleash a greater potential for product promotion, the Group is identifying approaches for developing its EV charging business and battery-swapping system business into additional cities in China, with an aim to generate reasonable returns for the shareholders from global topical green issues such as carbon neutrality and environment, social and governance (ESG).

In July 2022, MECOM International successfully won the bid for the land use rights of a piece of land in Gujing Town, Xinhui District, Jiangmen, Guangdong Province, the PRC, on which it will set up and operate manufacturing facilities in order to expand the Group's business presence to cover the field of production and manufacturing. The production business is an extension of the Group's industrial chain, which can serve the future business development of the Group in a better way and enhance its competitiveness. Through vertical extension (including the research and development and manufacturing of new materials and equipment for the new energy business), the production business provides a manufacturing base for the Group's expansion out of Macau and exploration of other domestic and overseas markets such as the Guangdong-Hong Kong-Macao Greater Bay Area, Southeast Asia and Australia. This will enhance the Group's business scale, market competitiveness, brand influence and industry status.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the opinion that the Company has complied with all the code provisions in Part 2 of the CG Code throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of HK$1.5 cents per share for the Period. Such interim dividend will be paid to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 15 September 2022. It is expected that the interim dividend will be paid on or about Thursday, 6 October 2022.

In order to be eligible for the interim dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 September 2022.

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

The Company repurchased 330,000 shares with par value of HK$0.01 each ("Shares", each a "Share") on the Stock Exchange during the Period. The total consideration (including transaction costs) of the repurchases was approximately HK$1,201,000. All of the repurchased Shares were cancelled during the Period. Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2022	100,000	3.66	3.64	371,000
March 2022	230,000	3.58	3.56	830,000
	330,000			1,201,000

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

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

BONUS ISSUE OF SHARES

For the six months ended 30 June 2021, the Board recommended a bonus issue of 595,741,000 new Shares to the existing shareholders of the Company on the basis of one bonus Share for every two existing Shares held by the shareholders of the Company on 4 June 2021, and the bonus issue was completed on 29 June 2021. Please refer to the Company's announcement dated 30 March 2021 and the Company's circular dated 27 April 2021 for details.

For the six months ended 30 June 2022, the Board recommended a bonus issue of 891,008,500 new Shares to the existing shareholders of the Company on the basis of one bonus Share for every two existing Shares held by the shareholders of the Company on 7 June 2022, and the bonus issue was completed on 29 June 2022. Please refer to the Company's announcement dated 29 March 2022 and the Company's circular dated 26 April 2022 for details.

BONUS WARRANTS ISSUE

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

The Warrants were issued to the qualifying shareholders on the basis of one Warrant for every ten Shares held on 20 May 2022. A total of 178,201,700 Warrants were issued by the Company to the qualifying shareholders, represented by the Warrant certificates. The Warrants were issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for 1 new Share at an initial subscription price of HK$4.47 per share during the subscription period from Wednesday, 25 May 2022 to Wednesday, 24 May 2023 (both days inclusive). The subscription price was adjusted from HK$4.47 to HK$2.95 per share with effective from 8 June 2022, and details of the adjustment are disclosed in the Company's announcement dated 7 June 2022. As the date of this announcement, 61,600 Warrants have been exercised.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee and the Company's external auditor, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group and have reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

On 21 July 2022, MECOM International New Materials Technology (Guangdong) Co., Ltd.* (澳能國際新材料科技(廣東)有限公司), an indirect non-wholly owned subsidiary of the Company, has successfully won the bid for the land use rights of a piece of land in Gujing Town, Xinhui District, Jiangmen, Guangdong Province, the PRC for a total consideration of RMB42,700,000 (equivalent to approximately HK$49,532,000). For details, please refer to the announcement of the Company dated 22 July 2022.

Save as disclosed in this announcement, there were no other important events affecting the Group that had occurred after 30 June 2022 and up to the date of this announcement.

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

This announcement is published on the Company's website at www.mecommacau.com and the Stock Exchange's website at www.hkexnews.hk. The 2022 Interim Report will be despatched to the shareholders of the Company and will be made available on the above websites in due course in accordance with the Listing Rules.

APPRECIATION

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

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

* *For identification purpose only*

Hong Kong, 31 August 2022

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.