POWER & CONSTRUCTION

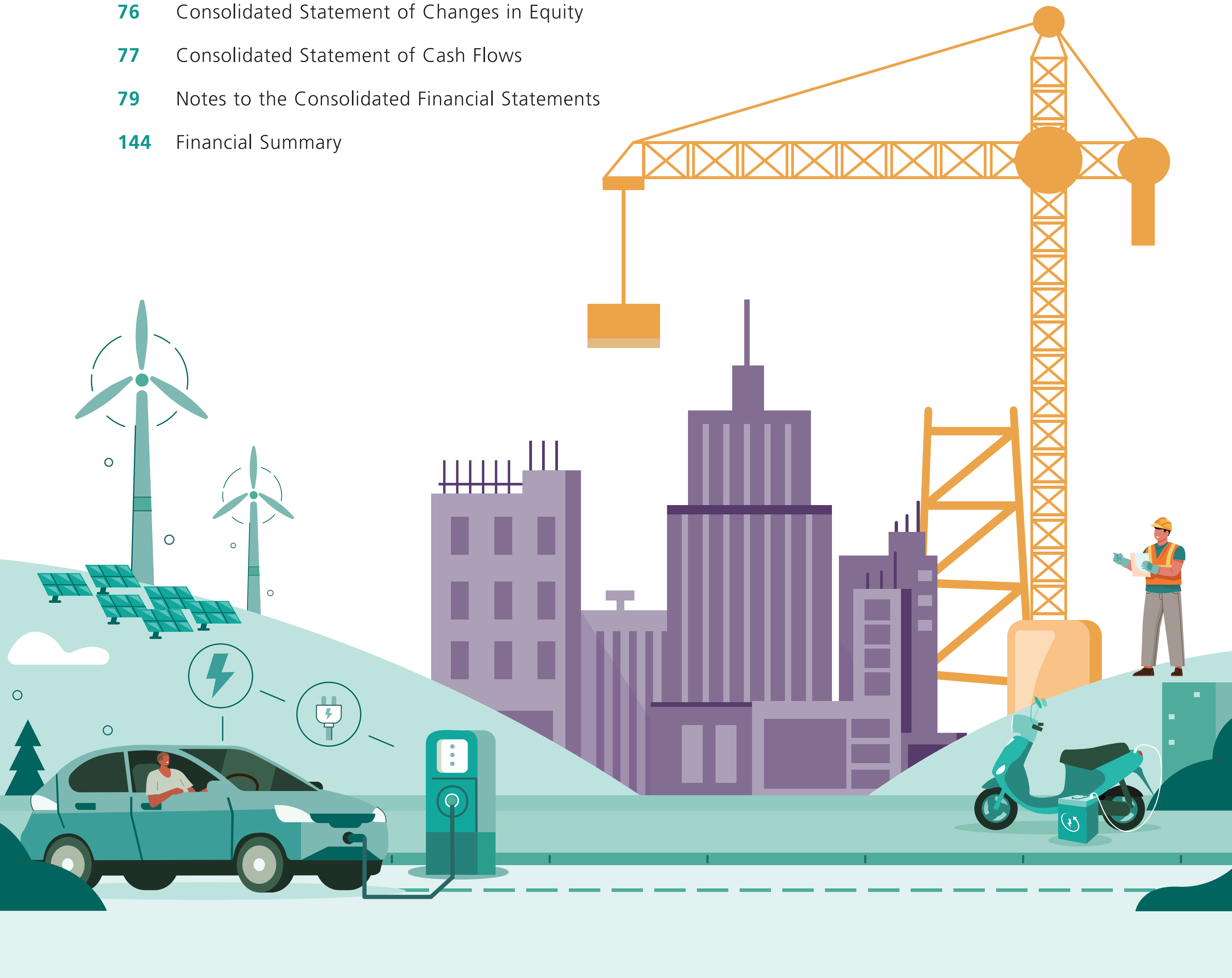
澳能建設控股有限公司
MECOM Power and Construction Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1183

2022 ANNUAL REPORT

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek *(Chairman)*
Mr. Sou Kun Tou

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

AUDIT COMMITTEE

Ms. Chan Po Yi, Patsy *(Chairlady)*
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

REMUNERATION COMMITTEE

Mr. Lio Weng Tong *(Chairman)*
Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent

NOMINATION COMMITTEE

Mr. Cheung Kiu Cho, Vincent *(Chairman)*
Mr. Lio Weng Tong
Ms. Chan Po Yi, Patsy

COMPANY SECRETARY

Ms. Tam Wing Yee

AUTHORISED REPRESENTATIVES

Mr. Sou Kun Tou
Ms. Tam Wing Yee

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Units Q, R and S, 6/F
Praça Kin Heng Long-Heng Hoi Kuok
Kin Fu Kuok
No. 258 Alameda Dr. Carlos D'Assumpção
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 20
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
and Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Macau law:
José Liu
Avenida da Amizade, nº 555
Landmark, 13º andar
Sala No. 1308
Macau

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited
Tai Fung Bank Limited
China Guangfa Bank Co. Ltd, Macau Branch

STOCK CODE

1183

WEBSITE

www.mecommacau.com

Chairman’s Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of MECOM Power and Construction Limited ("MECOM" or the "Company"), I hereby present to you the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Year" or "FY2022").

In the Policy Address for the Fiscal Year 2023, the Chief Executive of Macau, Mr. Ho Iat Seng, pointed out that the government’s overall direction of administrative policies would focus on boosting the economy, fostering economic diversification, relieving livelihood hardships, preventing and controlling COVID-19, and promoting stable and healthy development. These include enhancing infrastructure construction, improving traffic management, promoting new public projects, and expediting the development of Macau as a smart city. The government would also proactively implement the electric vehicle ("EV") promotion plan to help build a liveable and green Macau. The development direction and strategy under the Policy Address coincide with the Group’s development milestones, starting with entrenching itself in the business of infrastructure construction, high voltage power substation construction and electrical and mechanical ("E&M") engineering services, and stretching its reach to EV business. We share a common goal of forging a better future.

After repeated postponements due to the COVID-19 pandemic, the results of the gaming tender were finally unveiled that six incumbent casino gaming operators were granted renewal of their licences for ten years. Secretary for Administration and Justice of Macau and the president of the Committee for Public Tendering of Gaming Concessions, Mr. Cheong Weng Chon, emphasised that there were three main criteria for successful licence bidding, namely ensuring local employment stability, exploring overseas customer markets, and developing non-gaming projects, and that the six casino gaming operators were required to invest a total of over MOP100 billion in, among other things, high-quality ancillary hardware facilities. As the Group currently has a number of customers who are casino gaming operators and integrated resort operators, more opportunities for new construction and improvement works can be expected in the future. The Group will capitalise on its cutting-edge engineering techniques and sophisticated management capabilities to help those operators create and maintain resort facilities up to world class standard to appeal to international customers, thereby creating mutual benefits for them and for the Group.

Apart from the construction business, the Group successfully developed the second largest driver for profit growth. During the Year, the Group entered into the business of sales and processing of metal materials for construction and steel structures to supply steel materials in various dimensions for use in construction projects, with customers including subsidiaries of large-scale state-owned enterprises and construction companies in Macau and Hong Kong. The Group’s new manufacturing base in Gujing Town, Xinhui District, Jiangmen, Guangdong Province, the PRC is expected to commence production in the third quarter of 2023. The business scope of the Group will thereupon expand into the production and manufacturing field which will be complementary to the Group’s principal construction and EV businesses.

Chairman's Statement

For the EV business, the Group achieved a leapfrog advancement in 2022. Apart from further broadening the coverage of EV charging stations and battery-swapping systems network, the Group became a strategic business partner of Wuling Motors Holdings Limited ("Wuling Motors") in the development of new energy vehicle business, including becoming the exclusive distributor of certain electric motorbikes and electric delivery vehicles supplied by Wuling Motors in Hong Kong and Macau. Tapping into the year of 2023, the Group successively reached strategic cooperation with a number of exchange-listed automakers for the development of EV business in Singapore, Thailand, Indonesia and Malaysia, which covers the design, production, installation, maintenance, sales and marketing of EVs and EV charging systems. The cooperation with multiple parties demonstrates the recognition to the Group's capability in the EV business among peer players, which drove the Group and the parties to promote active cooperation with each other on clean energy transportation for the next generation.

The Group has been widely accepted by investors and media since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2018. During the Year, the Group received two awards, namely the "Listed Enterprises of the Year 2022" and the "Outstanding Performance – Best Business and Financial Performance", at the 7th "Listed Enterprises of the Year 2022" organised by Bloomberg Businessweek/Chinese Edition, in recognition of the Group's business strength, corporate development strategy, sustainable development and corporate social responsibility by the industry. The Group was also honoured to receive the "Annual Small and Mid-Cap Growth Value Award" of GuruClub Greater China Best Listed Company Awards 2022 by Gelonghui.

On behalf of the Board and management of the Group, I would like to express my heartfelt appreciation to our veteran staff members and newcomers for their concerted efforts in establishing MECOM as a multinational integrated enterprise engaging in top-notch construction and new energy vehicle businesses, and taking steps out from Macau to Asia and going global. I would also like to extend my sincere gratitude to our shareholders, investors, customers, suppliers and business associates for their support in facilitating strong business growth of the Group over the years.

Kuok Lam Sek
Executive Director and Chairman
Hong Kong, 30 March 2023

Management Discussion and 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 related services. During the Year, the Group diversified its existing businesses by entering into the steel structures business which involves the sales 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 business is a new sustainable business opportunity which involves supplying EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

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 Year, the Group's revenue increased by 47.1% to MOP1.3 billion (FY2021: MOP912.0 million). Revenue from steel structures business reached MOP616.1 million (FY2021: nil), which accounted for 45.9% of the Group's overall revenue. As at 31 December 2022, the Group's aggregate value of contracts on hand yet to complete from the construction business and steel structures business was MOP742.9 million (FY2021: MOP873.6 million) and MOP488.3 million (FY2021: nil), respectively.

During 2022, the overall economic activities in Macau and the Greater Bay Area were still adversely impacted by the COVID-19 pandemic. The postponement of the gaming licence bidding process to the end of the year posed a direct hindrance to the Group's business in the second half of 2022, as evidenced by the Group's limited number of new contracts, the year-on-year decrease in value of the contracts on hand and the declined revenue and slower growth of the construction business. The situation was worsened by the COVID-19 pandemic in the way that the Group incurred additional costs in connection

Management Discussion and Analysis

with staff, procurement and transportation, resulting in a drop of 8.5 percentage points in overall gross margin from 19.0% for FY2021 to 10.5% for FY2022. To achieve rapid expansion of the steel structures business and the EV business, the Group incurred additional administrative expenses and interest expenses resulted from the banking facilities. Due to the combined effect of the above, the Group's net margin dropped by 7.1 percentage points from 13.9% for FY2021 to 6.8% for FY2022.

Construction Business

The Group has maintained good partnership with its customers. During the Year, the Group was awarded a number of major construction and fitting out works projects, E&M engineering projects and facility management services projects, including, among others, (i) the fitting out and mechanical, electrical and plumbing works for a café and a corridor in a hotel complex, (ii) 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, and (iii) the provision of structural works for the main structure of the podium, tower and theatre of a hotel complex, the supply and installation of fire shutter, smoke curtain, roller shutter and fire door, the provision of mechanical, ventilation and air-conditioning systems works and the provision of labour and accessories for electrical installation for an integrated resort in Cotai. During the Year, the Group also renewed facility management services agreements extending the contract period for two years, and expanded the scope of work under one facility management services agreement. The aggregate contract value of these new projects amounted to approximately MOP570 million.

The Group's construction projects progressed well during the Year. Approximately MOP400 million was derived from various large-scale projects under the phase 2 development of a new hotel complex in Cotai, Macau, which are essentially completed and expected to commence operation by the second quarter of 2023.

The Group continued its efforts to diversify its project portfolio into different sectors, explore new opportunities and exercise disciplined cost control, in order to maintain its construction performance and operating efficiency and enhance its competitiveness.

Steel Structures Business

In 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) ("MECOM International"), an indirect non-wholly owned subsidiary of the Company, won a bid for the acquisition of a piece of land occupying an area of approximately 65,986 square metres in Gujing Town, Xinhui District, Jiangmen, Guangdong Province, the PRC at a total consideration of RMB42,700,000 (equivalent to approximately HK$49,532,000). The land was acquired for the purposes of setting up and operating manufacturing facilities to fabricate and/or process structural steel components that are generally used in the Group's construction and fitting out works in its ordinary and usual course of business, and setting up and operating a research and manufacturing base to develop new materials and equipment for other new energy businesses. As at the date of this report, construction of the manufacturing facilities is ongoing and they are expected to commence production in the third quarter of 2023.

Through the land acquisition and the said projects, the business scope of the Group would expand to the field of production and manufacturing serving the Group's principal construction and new energy businesses. 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 would enhance the Group's business scale, market competitiveness, brand influence and industry status.

During the Year, MECOM International and Ao Gang Construction (Macau) Limited (澳港建設(澳門)有限公司) ("Ao Gang Construction"), an indirect non-wholly owned subsidiary of the Company, secured order contracts for the supply of approximately 183,347 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 August 2024 to business partners for use in their construction projects, unlocking a new milestone for the new business of the Group. During the Year, MECOM International and Ao Gang Construction delivered approximately 93,869 tons of steel materials and contributed MOP616.1 million to the Group's revenue, making the business the second largest revenue source of the Group, only behind the construction business. Key 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. 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.

Management Discussion and Analysis

EV Business

During the Year, 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 entered into memorandums of understanding with several real estate management companies in Macau with the intention of providing design, supply, installation, operation and maintenance services for EV charging systems in residential and/or commercial buildings and/or shopping centres in Macau that are managed by them.

In addition to charging business, MUCharging entered into memorandums of understanding or distribution agreements with a number of companies during the Year. In June 2022, MUCharging became the sole and exclusive distributor of I-Charging, Mobilidade Eléctrica, S.A. for the promotion, sale and distribution of "blueberry" branded products that provide ultra-fast charging solutions in Hong Kong, Macau and the Greater Bay Area of China. In September 2022, MUCharging entered into a memorandum of understanding with the exclusive distributor of GAC AION New Energy Automobile Co., Ltd., a subsidiary of Guangzhou Automobile Group Company Limited, to provide car buyers in Macau a one-stop solution for setting up and operating EV charging systems, including operational, technical, regulatory and maintenance matters, and consultancy services. MECOM entered into a memorandum of understanding with Wuling Motors in December 2022, pursuant to which they became a strategic business partner in the development of new energy vehicle business. Up to the date of this report, MUCharging (as distributor) entered into two distribution agreements with Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司), a subsidiary of Wuling Motors (as supplier), pursuant to which MUCharging became the exclusive distributor for certain electric motorbikes and electric delivery vehicles supplied by the supplier in Hong Kong, Macau, Indonesia, Thailand and Singapore.

In February 2023, the Group turned a new page for the EV business by entering into a memorandum of understanding with each of GSS Energy Limited (a company listed in Singapore) and Coastal Contracts Bhd. (a company listed in Malaysia). The Group anticipated that the entering into of the memorandums of understanding with the two listed companies would create synergy for business expansion in the Southeast Asia region.

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 September 2022, MECOM Zhihui entered into an agreement with Guangzhou Shijia Technology Co., Ltd.* (廣州視加科技有限公司) ("Guangzhou Shijia") in relation to the launch of a project for battery-swapping systems at the electric charging stations of Guangzhou Shijia in Guangzhou.

Guangzhou Shijia has the exclusive right to provide 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)) and is currently operating more than 2,500 electric charging stations in Guangzhou, Guangdong Province, the PRC. The Group will actively source different locations in Guangdong Province for its battery swapping systems and it is expected that about 2,500 to 3,500 electric charging stations (comprising 75,000 to 105,000 sets of lithium-ion phosphate batteries) will be set up in Guangdong Province with approximately RMB200 million involved.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue in FY2022 and FY2021:

	2022		2021	
	MOP'000	**%**	MOP'000	%
Construction business				
Construction and fitting out works	**448,165**	**33.4**	636,088	69.7
High voltage power substation construction and its system installation works	**27,424**	**2.1**	16,497	1.8
E&M engineering services works	**165,497**	**12.3**	189,116	20.7
Facilities management services	**83,490**	**6.2**	70,206	7.8
	724,576	**54.0**	911,907	100.0
EV business	**1,219**	**0.1**	75	0.0
Steel structures business	**616,121**	**45.9**	–	–
Total	**1,341,916**	**100.0**	911,982	100.0

The Group's revenue for the Year increased by MOP429.9 million or 47.1%, in which MOP616.1 million was contributed from the steel structures business.

Revenue from construction business decreased by MOP187.3 million or 20.5%, primarily attributable to the following factors:

– 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; and

– due to the COVID-19 pandemic, the renewal of the six existing casino licences in Macau was postponed, which led to the delay in rolling out large-scale construction projects by the clients of the Group during the Year.

During the Year, the Group delivered approximately 93,869.2 tons of steel materials, including reinforced bars, steel sheet piles and galvanized sheets, and contributed MOP616.1 million to the Group's revenue. Customers include subsidiaries of large-scale state-owned enterprises and construction companies in Macau and Hong Kong.

Management Discussion and Analysis

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin during FY2022 and FY2021:

	2022		2021	
	Gross profit/ (loss) MOP'000	Gross margin %	Gross profit/ (loss) MOP'000	Gross margin %
Construction business				
Construction and fitting out works	44,803	10.0	124,889	19.6
High voltage power substation construction and its system installation works	3,971	14.5	1,449	8.8
E&M engineering services works	30,932	18.7	34,788	18.4
Facilities management services	22,478	26.9	13,856	19.7
	102,184	14.1	174,982	19.2
EV business	(2,338)	(191.7)	(1,545)	(2,064.6)
Steel structures business	40,700	6.6	–	–
Total/overall	140,546	10.5	173,437	19.0

The Group recorded a gross profit of MOP140.5 million for the Year, which represented a year-on-year decrease of 19.0%. Gross margin dropped from 19.0% in FY2021 to 10.5% in FY2022.

Gross margin of the construction and fitting out works dropped from 19.6% in FY2021 to 10.0% in FY2022, primarily attributable to the following factors:

– in view of the severe COVID-19 pandemic since mid-June 2022, the Macau government imposed strict control over cross-boundary flows of people and goods (including raw materials and accessories). As a result, the Group incurred additional costs in connection with staff accommodation abroad, staff allowances, procurement and transportation. In addition, the Group actively cooperated with the Macau government on the anti-pandemic policy and suspended its construction works and business activities for several times, which inevitably resulted in certain surge in costs; and

– the six existing casino licences in Macau were renewed by the Macau government in November 2022. The casino gaming operators and integrated resort operators adopted a more optimistic view on their business prospects. Together with the rapid upturn in the number of tourists visiting Macau under the normalisation of COVID-19 prevention and control, the Group was entrusted to undertake a number of alteration and addition works for accommodating the massive influx of tourists since the fourth quarter of 2022. These alteration and addition works were substantially completed with project costs incurred in 2022, and the Group will only receive payment after such costs have been certified by the project owners in 2023.

Management Discussion and Analysis

To expand the market share and get prepared for a prospective rapid growth in the number of customers, the Group continued its investment in the EV business, and therefore recorded a gross loss of MOP2.3 million in FY2022 in respect of the EV business segment. During the Year, the Group incurred (i) costs of approximately MOP641,000 for installation of (a) EV charger facilities at residential and/or commercial buildings and/or hotel complex and (b) charging cabinets for lithium-ion phosphate batteries in Macau and the Guangdong Province, the PRC; and (ii) depreciation costs of approximately MOP2.5 million.

Steel structures business generated gross profit of MOP40.7 million, or 6.6% gross margin for the Year.

Other income and loss

Other income and loss was MOP1.7 million (FY2021: MOP1.7 million), which mainly comprised bank interest income.

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

The Group’s impairment losses of trade receivables, trade-nature amounts due from related companies and contract assets were MOP1,174,000 (FY2021: MOP1,071,000). 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 MOP9.2 million or 26.5% mainly due to salaries, consultancy fee and other advertising costs incurred for the EV business and steel structures business.

Finance costs

During the Year, the Group incurred interest expenses of MOP756,000 on the bank loans (FY2021: nil).

Income tax expense

Income tax expense decreased by MOP7.2 million or 39.7% primarily due to (i) decrease in gross profit; and (ii) reversal of over-provision of MOP1.8 million in prior years.

Profit for the Year

The Group’s profit for the Year decreased by MOP34.8 million or 27.5% primarily attributable to the combined effect of the abovementioned items. Net margin dropped from 13.9% in FY2021 to 6.8% in FY2022.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

The following are some principal risks and uncertainties facing the Group that could materially and adversely affect its business, financial conditions or results of operations:

Risk	Description	Management Measures
Failure to secure new projects	The Group's revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature. Failure to tender for and secure new projects from its existing customers and/or new customers in the future would affect the Group's business operation, sustainability and financial performance. It may also be difficult to forecast the volume of future business.	The Group has diversified its project portfolio into different areas such as maintenance works, energy infrastructure and government projects to help maintain its exposures in multiple project areas. In addition, the Group continues to look for new opportunities to enhance its competitiveness through project efficiencies and technical capabilities.
Underestimation of tender price and project cost overruns	The Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group's operations and financial results.	All bids are subject to rigorous estimating and tendering processes within the risk management framework. The Group has defined delegated authority levels for approving all tenders. Reviews are conducted following all tenders to ensure lessons are learnt and applied to future tenders.
Uncertain external factor	The nature, extent and timing of construction projects are determined by a variety of factors, including the Macau government's policies and spending patterns on the construction industry and overall development plan of Macau, the investment of property developers and casino operators, the general conditions and prospects of economy in Macau and the availability of new projects in the private sector. Furthermore, the economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including policies and measures adopted by the Macau and PRC governments. Any change in the number of construction projects in Macau would affect the Group's business operations and financial performance.	The current political and government policies remain favorable towards the gaming and hospitality industry, and should persist for the foreseeable future. This in turn should continue to provide a strong support for construction business of creating demands for new construction projects. In addition, the Group's existing customers are reputable multinational organisations with operations around the globe, the Group will continue to leverage its existing customer relationships and seek for new international business opportunities to further expand and diversify its customer and project base of minimizing local political and economic exposures.

Management Discussion and Analysis

Risk	Description	Management Measures
Epidemic outbreaks	During the Year, the COVID-19 epidemic had a significant impact on supply chain delivery process such as disruption of transport logistics from the PRC. In addition, the Group suspended its construction works and business activities for several times, which accounted for the surge in project costs. Although the economy of Macau is showing signs of gradual recovery with the relaxation of the pandemic control restriction, the number of infected cases over the world remained volatile and the construction industry may continue to be affected by the persistent outbreak of the COVID-19 epidemic.	Based on the experience of successful and effective response measures taken during the outbreak of the COVID-19 since 2020, the Group has developed contingency plans to address the COVID-19 epidemic. The Group has initiated the necessary epidemic prevention measures to ensure the safety of all employees and workers. The Group will do its utmost to fulfill and complete its projects on schedule and keep in touch with the customers to minimise any negative economic impact on the parties.

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 Year were mainly funded by cash generated from its operations and credit facilities provided by its principal banker in Macau.

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 2022, the Group had net current assets of MOP356.3 million (FY2021: MOP386.5 million). The current ratio of the Group as at 31 December 2022 was 1.7 (FY2021: 2.6).

The Group continued to maintain a healthy liquidity position. As at 31 December 2022, the Group had total cash and bank balances (including fixed bank deposits) of MOP74.8 million (FY2021: MOP224.8 million).

As at 31 December 2022, the Group had outstanding bank borrowings of MOP90.6 million (FY2021: nil) and the Group's unutilised credit facilities was MOP187.1 million (FY2021: MOP187.8 million). The Group's gearing ratio (calculated by dividing total debts with total equity) was 18.8% (FY2021: zero).

CAPITAL STRUCTURE

As at 31 December 2022, the Company's share capital and equity amounted to MOP27.4 million and MOP483.4 million, respectively (FY2021: MOP18.4 million and MOP447.5 million, respectively).

Management Discussion and Analysis

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 continues 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

On 21 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 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. MECOM International has engaged contractors to carry out construction works in order to set up new manufacturing and research and development facilities at the site. Please refer to the Company's announcement dated 16 March 2023 for further information. The Group currently expects to incur capital expenditure of not less than RMB200 million in relation to this project, which will be funded by the Group's internal resources and banking facilities.

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

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 31 December 2022.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company ("Shares", each a "Share") 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 of the Company 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 dated 1 February 2018 for the Listing and subsequently revised in the announcement issued by the Company dated 28 February 2019.

Management Discussion and Analysis

The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2022:

	Revised applications (HK$ million)	Amount of unutilised proceeds as at 1 January 2022 (HK$ million)	Actual usage up to 31 December 2022 (HK$ million)	Amount of unutilised proceeds as at 31 December 2022 (HK$ million)
Financing the issuance of performance bonds when undertaking new projects (Note 1)	112.4	21.7	102.3	10.1
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	21.7	251.5	10.1

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 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 2023.

   Up to the date of this report, the Group has utilised HK$102.8 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 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 2022, the Group had pledged bank deposits of MOP34.4 million (FY2021: MOP31.2 million) that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2022 (FY2021: nil).

Management Discussion and Analysis

COMMITMENTS

As at 31 December 2022, the Group had capital commitments of approximately MOP146,236,000 in relation to the construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC (FY2021: 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, position 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 31 December 2022, the Group had 281 (FY2021: 295) employees in Hong Kong, Macau and the PRC, comprising 104 Macau residents and 177 non-Macau residents (FY2021: 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 Year, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

PROSPECTS

After full reopening of the borders of Mainland China, Macau and Taiwan since February 2023, inbound travellers are no longer required to produce a proof of negative COVID-19 nucleic acid test result for border crossing and the flow of people in the Greater Bay Area cities has returned to normal, leading to gradual resumption of normalcy of economic activities and development.

Under the background that extensive development of infrastructure in Macau continues, the Group, being a leader in the civil engineering industry and the high voltage power substation construction industry in Macau, will strive to make progress while ensuring stability in these two principal businesses. The Macau government indicated in the Policy Address for the Fiscal Year 2023 that it would vigorously promote urban infrastructure development with a preliminary budget of MOP22.3 billion (FY2022: MOP18.5 billion) allocated to the Investments and Development Expenses of the Administration (PIDDA), which would be applied towards launching public infrastructure, public housing and other kinds of engineering projects, with aims to expand domestic demand, boost the economy and improve people's livelihoods. Casino gaming operators and integrated resort operators are becoming more optimistic about their business prospects in view of the renewal of six existing casino licences by the Macau government in November 2022. Together with the rapid upturn in the number of tourists visiting Macau under the normalisation of COVID-19 prevention and control, the Group has been entrusted to undertake a great number of alteration and addition works since the fourth quarter of 2022. It is evident from the above that the Macau government and casino gaming operators and integrated resort operators will invest more resources in construction. With years of experience in undertaking a wide spectrum of infrastructure projects, the Group will be benefitted from the development of the construction industry.

Management Discussion and Analysis

In tandem with the growth of the well-established construction business, the Group will continue to develop the steel structures business. According to the World Steel Association, in 2023, global steel demand would see a recovery of 1% to 1,814.7 million tons. As outlined in the brochure of the Northern Metropolis Development Strategy, on the basis of the Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030, the Northern Metropolis will be a new district with a total development area of 30,000 hectares, where the demand for eco-friendly steel materials will be strong. The steel materials supplied by the Group's steel processing mill are environmentally friendly, low-cost and time-efficient as they can be bent and cut using mechanical automation technology which has the benefits of reducing construction time at sites and the amount of wastes, and is in line with the construction methods promoted by the Architectural Services Department of Hong Kong. Having successfully entered into the steel trading sector during the Year, coupled with the planned commencement of production at its own steel processing mill in Jiangmen in the third quarter of 2023, the Group will continue to expand its business scope to include production and manufacturing for serving the Group's principal construction business. The business is anticipated to grow steadily in the future.

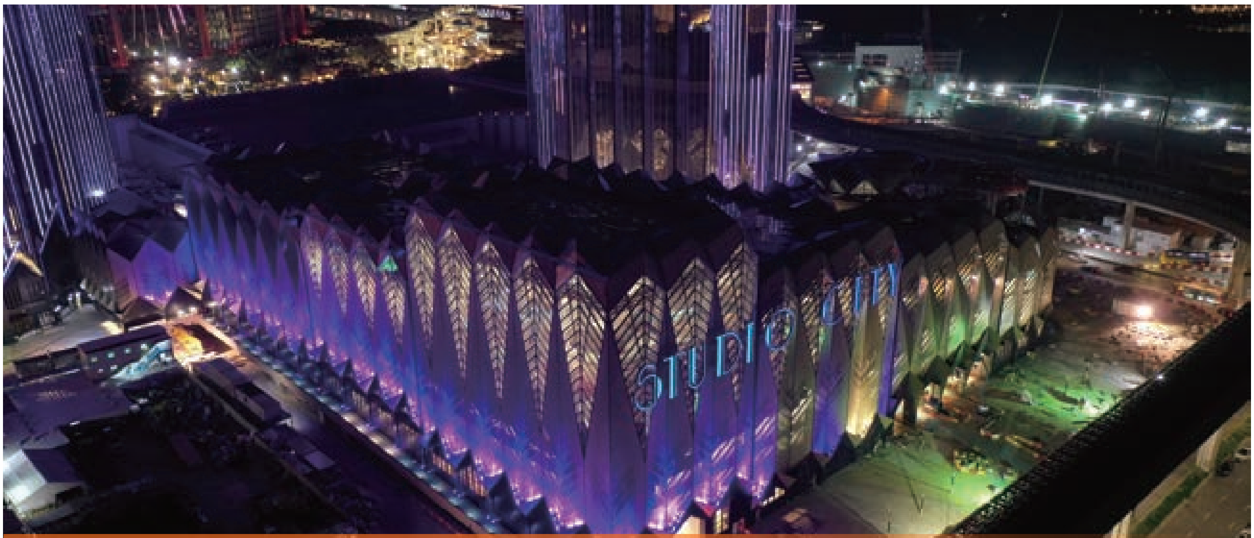
Another sector the Group is extending into is new energy vehicle business. Data of the China Passenger Cars Association shows that China's retail sales of new energy passenger vehicles increased by 90.0% year-on-year to 5.674 million units in 2022. Retail sales of new energy passenger vehicles is expected to reach 8.5 million units in 2023 with a penetration rate of 36%. Besides, the extension of the new energy vehicles tax exemption policy promulgated in late July of 2022 gives support to new energy vehicles purchases. All of the above reflect that the new energy vehicle market in the PRC is on a rising trend. The substitution of new energy vehicles for fossil fuel vehicles has already been an irreversible trend and therefore, the market will experience an explosive growth in the demand for charging stations. The Group has made a head start in developing the business of EV charging stations in the Greater Bay Area in recent years and is now well-positioned to take direct advantage of this overwhelming development trend.

As for the electric bike battery-swapping system business, the Group's lithium-ion phosphate batteries have passed the comprehensive safety test for their specific features and secured full insurance coverage from a well-known insurance firm in the PRC. Under normal circumstances, the batteries can operate at a temperature as low as -20 degree Celsius and achieve a discharge capacity of up to more than 90% as compared to the standard discharge capacity of 70%. The application of the Group's lithium-ion phosphate batteries is expected to bring a greater potential for business cooperation with EV companies. The Group has expanded its new energy vehicle business progressively from the Greater Bay Area to the Southeast Asia region and joined forces with local business partners for the provision of high-quality services in terms of efficiency, safety and cost-effectiveness, in anticipation of unleashing business opportunities in the region with such swift deployment.

Looking forward into 2023, as the global economy is returning to normalcy, demand for construction services and prefabricated steel materials is expected to increase in Macau and Hong Kong. Regarding the EV business which is also a major direction of global development, the Group anticipates that its presence on the EV industry chain established through successively entering into cooperation with exchange-listed automakers will facilitate extension of its geographic coverage to the EV markets in Southeast Asia and the Middle East.

Construction Business

• Major projects under the phase 2 development of a new hotel complex in Cotai, Macau

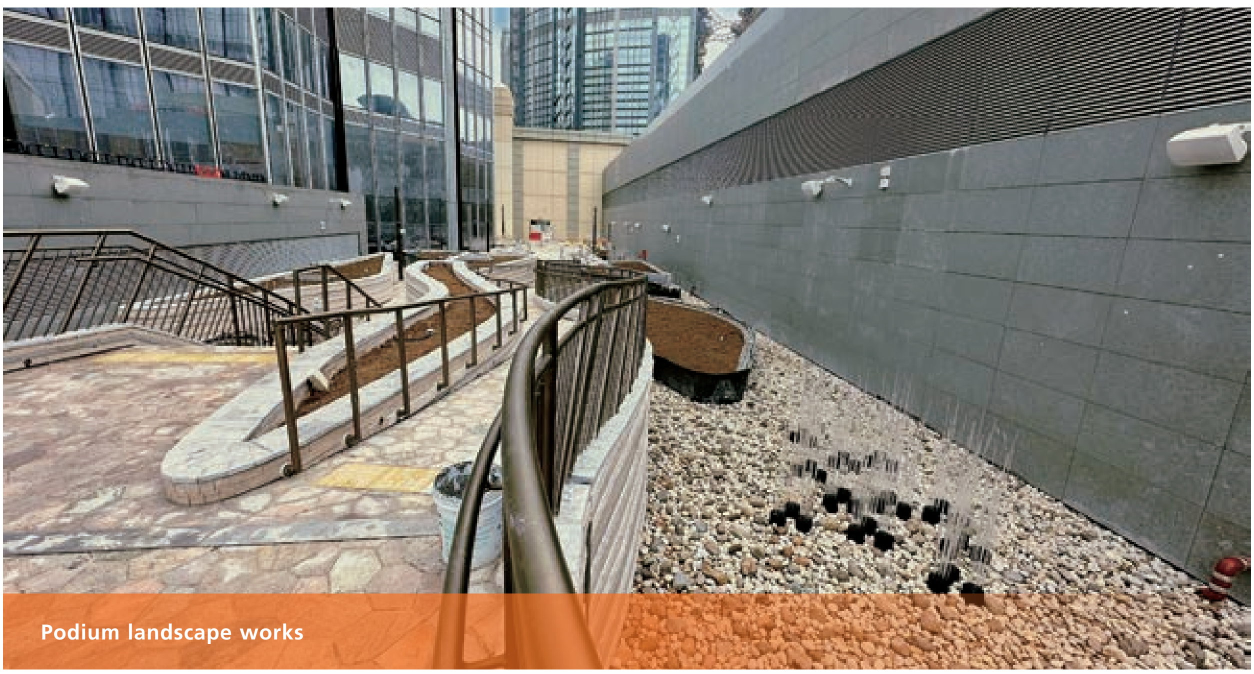


Podium façade works

Podium architectural builders works and finishes

Construction Business

Water park slides installation works



Podium landscape works

Management Discussion and Analysis

Construction Business

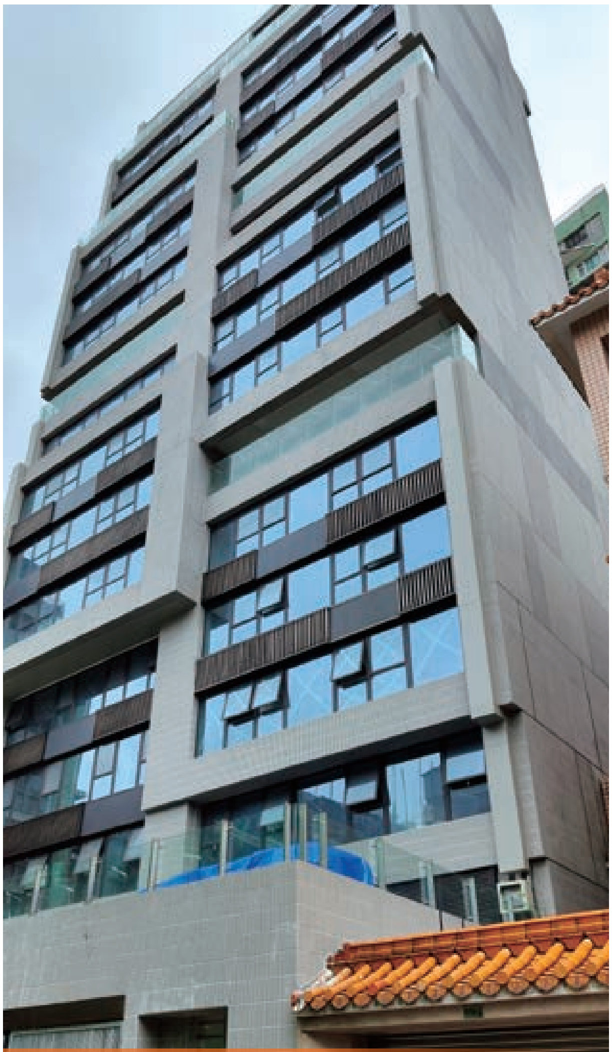
• Structural works for the main structure of the podium, tower and theatre of a hotel complex in an integrated resort in Cotai, Macau

Management Discussion and Analysis

Construction Business

• Other major projects in progress

Refurbishment of external walls for a building of a public utility company with the sole concession to provide electricity in Macau



Construction works for a residential development project at Nos. 1 and 8–10 Rua de António Basto (巴士度街) and Nos. 38–40 Rua de Alves Roçadas (羅沙達街), Macau

EV Business

Our booth in the 2022 Macao International Environmental Co-operation Forum & Exhibition

Charging cabinets for battery-swapping systems with lithium-ion phosphate batteries

Steel Structures Business

• Construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC

Factory plant no. 1

Office building

Factory plant no. 2

General use building

Contributions to Society

Our Chairman Mr. Kuok Lam Sek, presented academic prizes and scholarships to awardees of the University of Macau.

Our chief operating officer, Mr. Lam Kuok Wa, received the "Best Sci-tech Innovation Award" (最佳科技創新獎) at the Third Guangdong-Hong Kong-Macao Greater Bay Area Outstanding Young Entrepreneur Awards (粵港澳大灣區第三屆傑出青年企業家) ceremony.

Environmental, Social and Governance Report

ABOUT THIS REPORT

MECOM is delighted to present its sixth Environmental, Social and Governance ("ESG") Report (the "ESG Report") to summarise the sustainability efforts and progress of the Group for the Year.

Reporting Framework

The ESG Report is prepared in accordance with ESG Reporting Guide (the "Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The reporting principles of materiality, quantitative, balance, and consistency have been strictly applied in determining and compiling the content of the ESG Report in order to maintain high quality disclosure.

Materiality	We conducted regular materiality assessment to determine the social and environmental topics that matter most to the organisation's business and its significant stakeholders who are identified through the stakeholder engagement process. We have strengthened the disclosure of the important topics in the ESG Report to provide valuable and up-to-date information to our stakeholders.
Quantitative	For the environmental section, quantitative indicators are reported with definitions and calculation methods to provide clear measure of performance and ensure numerically comparable over years. We will set up the data collection mechanism for reporting the social data in next financial year.
Balance	We gather and report the ESG information in an objective and unbiased manner by revealing the potential risks and opportunities associated with the ESG topics in order to maintain credibility of the Report.
Consistency	We ensure consistency of the reporting standards, data collection and calculation methods adopted and provide figures of previous years to allow meaningful comparison.

Reporting Boundary

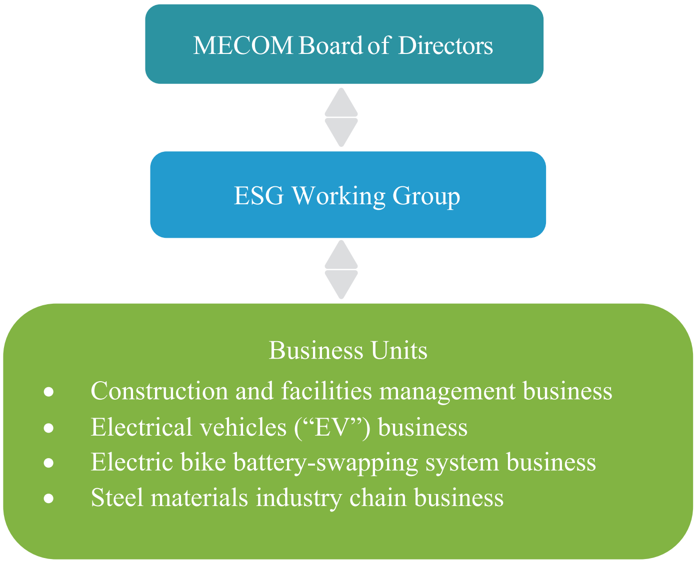
The ESG Report focuses on the Group's environmental and social related policies, initiatives and performances arising from its businesses and operations over which the Group has direct management control, unless otherwise specified. The Group's businesses and operations include construction and fitting out works, high voltage power substation construction and its system installation works, E&M engineering services works and facilities management services, as well as EV business. The Group is in the initial stage of expanding its new business to sales and processing of metal materials for construction and steel structures during the Year, and the relevant data for the new business has been excluded in the ESG Report.

Additional details of the corporate governance and risk management practices can be found in the Corporate Governance Report on pages 43 to 55.

Environmental, Social and Governance Report

Sustainability Approach

Sustainability is at the heart of MECOM's company strategy and we strive to be environmentally and socially conscious in operating our business. As a leading construction engineering contractor in Macau, we seek to enhance our stakeholders' values and secure the sustainable growth of our business. As such, we have established a 3-level management framework to promote sustainability into our value chain between the Board, ESG working group, and business units:



The Board, as the highest governance body of MECOM, is fully committed to the sustainable growth of our business. The Board facilitates the establishment of our ESG objectives, priorities and strategies and monitors the progress made against ESG targets, with consideration to the ESG risks and opportunities we come across and foresee in the horizon. The Board oversees the Group's overall ESG direction and delegates certain execution and control authorities to the ESG working group as appropriate.

Our ESG working group comprises members designated by the management team spanning across administration, accounting, human resource, company secretarial, building cost and contract, and construction management departments. They are responsible for strengthening our ESG practices through initiating, implementing and monitoring ESG activities and control systems. ESG performances are measured, reviewed and reported to the management team, which will then be presented to the Board and the audit committee on whether appropriate and effective ESG risk management and internal control systems are in place.

In addition, we attached great importance to the regulatory compliance. Rules and regulations relating to the environmental and social aspects of our operations are identified and managed by our respective departments. We carefully monitor the changing laws and regulations and any updates to the compliance requirements will be circulated among the department managers. We uphold business ethics and constantly enhance employee engagement by creating a working environment where ethical conduct is the norm.

Environmental, Social and Governance Report

In order to drive our ESG commitment and continually enhance our sustainability performance, we have established the following targets. We will consistently monitor our achievement of the environmental targets set, through the implementation of environmental practices and steps described in the "Environmental" section below.

Environmental Aspects	Targets
Air emissions	• To incorporate "low carbon" as one of our investment strategies and criteria by 2025. • We will closely monitor our air emissions intensity and ensure its alignment with business growth by 2025.
Wastes	• We will closely monitor our paper consumption intensity (per revenue) and ensure its consumption is in line with business growth by 2025.
Energy consumption	• To incorporate energy efficiency as one of the criteria for the procurement of electronic devices (e.g. Grade 1 energy label) by 2025. • We will take into account the electricity conservation policy and measures as one of our selection criteria for new subcontractors and investments by 2025.
Water consumption	• We will closely monitor water usage by our employees to ensure water consumption is in line with business growth by 2025.

STAKEHOLDER ENGAGEMENT

The concept of stakeholder inclusiveness is embedded into our decision-making process. We believe that building a trusted relationship with our stakeholders is vital for understanding and responding to their needs and expectations as well as driving a better sustainability performance of MECOM.

We consistently engage with our key internal and external stakeholders, including employees, shareholders, investors, customers, suppliers, government bodies as well as local communities, from time to time through various channels, such as meetings, e-communications platforms, public events and publications.

The information gathered is thoroughly considered and will be incorporated into our business strategies as appropriate. Attention will be given to the areas that are significant and necessary for further improvement. We are committed to continuously enhancing our stakeholders engagement channels and creating greater value from our products and services to the wider community.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

A materiality assessment was conducted in the Year to reassess the existing ESG topics and identify potential areas that would have a significant environmental and social impact on and are material to our business and the stakeholders' interests. With the guidance of our external ESG reporting consultant, we confirmed that our existing material ESG topics are aligned with our stakeholders' concerns, industry and market trends and reflecting the ESG risks and opportunities of the Group. The 14 material ESG topics are presented below:

Material ESG topics to MECOM[1]

Environmental	Social
• Air and Greenhouse Gases Emissions	• Human Resources Management
• Waste Management	• Workplace Health and Safety
• Energy and Resources Consumption and Efficiency[1]	• Employee Development and Training
• Noise Control	• Prohibition of Child Labour and Forced Labour
• Environmental Management System	• Responsible Supply Chain Selection and Management
• Climate Change	• Product and Service Quality Management

ESG REPORTING

An information and data collection template formulated based on the Group's material ESG aspects is adopted and used for the collection of ESG information and data from relevant departments and business units of the Group. We include all material information to enable our stakeholders to evaluate our sustainability performance. The ESG Report has been reviewed by the ESG working group and approved by the Board on 30 March 2023 which confirmed that disclosures made by the Group in the ESG Report meets with the requirements of the Reporting Guide.

ENVIRONMENTAL

MECOM aspires to build an evergreen future by operating our business in a manner that embraces environmental sustainability. The Group has established an "Environmental and Occupational Health and Safety Manual" (the "Manual") to constantly improve our environmental performances at both our office and sites, and to promote awareness among our employees and contractors in key issues including greenhouse gases ("GHG") emissions, energy consumption, waste disposal, air quality and noise control. We have obtained the International Organization for Standardization ("ISO") 14001:2015 Environmental Management System Certification to assure the soundness of our robust mechanism in promoting green practices. We have been actively exploring opportunities in sustainable projects and searching for green solutions to address sustainability challenges.

The management of the Group is responsible for monitoring the compliance of relevant local law and regulations as well as international standards, including but not limited to the Environmental Law (Decree No. 2/91/M), Water Supply and Drainage Regulation (Decree No. 46/96/M), Prevention and Control on Environmental Noise (Decree No. 8/2014) and relevant regulations as set out by the Macau Special Administrative Region ("Macau"). The following measures have been adopted to ensure compliance with the laws and regulations in relation to environment protection, water conservation and noise pollution control.

During the Year, the Group has not identified any material non-compliance with environment-related laws and regulations in Macau.

[1] Due to our business nature as an engineering and construction service provider, our operation does not involve any significant consumption of water and packaging materials, therefore the relevant disclosures are not applicable.

Environmental, Social and Governance Report

Air and Greenhouse Gases Emissions

While the services provided by the Group were mainly consulting and project management in nature, the Group has owned a number of vehicles for transportation to construction site. We have calculated the Nitrogen Oxides (NO_x), Sulphur Dioxide (SO_2), Particulate Matter (PM) and Direct scope 1 GHG emissions resulting from the use of vehicles. The slight increase in NO_x and PM emissions are caused by the increased usage of heavy vehicles.

Air Emissions	2022	2021
NO_x (kg)	**97.48**	95.80
SO_2 (kg)	**0.24**	0.28
PM (kg)	**8.36**	7.98

The major source of our GHG emissions is the direct GHG emissions generated from our vehicles and indirect GHG emissions generated from electricity consumption in our office. The decrease in direct GHG emission is caused by the general decrease in usage of vehicles. The total GHG emissions and intensity for this Year are set out below:

GHG Emission[2]	2022	2021
Direct Scope 1 GHG emission (tonnes CO_2e)	**38.71**	45.44
Direct Scope 1 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.00003**	0.00005
Indirect Scope 2 GHG emission (tonnes CO_2e)	**23.93**	24.44
Indirect Scope 2 GHG emission intensity (tonnes CO_2e per MOP'000 of revenue)	**0.00002**	0.00003

In order to reduce direct GHG emissions to pursue our ESG target, we would perform better construction planning to reduce idle vehicles and closely monitor the travel distance of the vehicles. If possible, we also limit vehicle speeds on sites to minimise dust re-suspension and dispersion. With the actual engineering works carried out by our subcontractors, we fulfil our environmental responsibility by actively monitoring their environmental performances. The Group perform regular carbon reviews and environmental impact assessments, and work closely with our subcontractors to implement green measures in our projects. Our environmental impact assessments cover aspects such as potential environmental impacts, regulatory compliance, environmental risks and opportunities etc. We also select our investment targets by evaluating their green initiatives, in particular we opt for targets that aim at driving for a low-carbon future. A case in point will be our engagement with business partner on EV business, in which EVs are more energy efficient and produce less emissions than traditional vehicles.

We require all construction materials in transit to be covered throughout the transportation process to avoid the spreading of dust and particles. Spraying water onto the ground and the dusty materials, when demolition work is carried out, is another common practice for dust containment. Barriers such as board fence are placed around the construction site to control air currents and blown soil. We also conduct weekly dust inspections on designated dust emission sources during the periods of construction. Additionally, the Group encourages our subcontractors to use low-sulphur diesel for vehicles and to conduct regular inspection and maintenance to ensure the emission level meets regulatory standards. The Group will also commit to using a more environmental-friendly equipment to minimise emissions in the future.

2 Calculation of total GHG emission is based on Appendix 2 to the ESG Guideline issued by the Stock Exchange. The CO2 Emission factor for electricity is retrieved from the 2021 Sustainability Report published by Companhia de Electricidade de Macau (the "CEM").

Environmental, Social and Governance Report

The Group advocates the avoidance of ozone depleting refrigerants such as hydro-chlorofluorocarbons (HCFCs) in our projects, and promote the use of environmental-friendly ones such as chlorofluorocarbon (CFC). Furthermore, the purchase of refrigerants would only be made when necessary to prevent leakage and pollution at construction sites due to excessive chemical storage. Moreover, for projects involving asbestos, we require our subcontractors to assign only workers with relevant qualifications to perform the contracted works, and they should be supervised by a consultant registered with the Environment Protection Department.

We have also undertaken a series of measures to control the indirect GHG emissions. For details, please refer to the section "Energy and Resources Consumption and Efficiency" below.

Waste Management

Given our business nature as the general contractor in construction projects, there was no significant hazardous waste produced directly by the Group. Paper has been identified as a major source of non-hazardous wastes in our operation, the consumption of which varies a lot depending on the nature of individual projects. The total consumption of paper during the Year is set out below:

Waste	2022	2021
Paper (tonnes)	**3.41**	4.25

For waste reduction and operation efficiency purposes, the Group is implementing various paperless measures under the "4R" principles, as a means to achieve our ESG target on reducing paper consumption. We advocate paperless work environment by deploying digital operation resources such as email, electronic file storage and sharing system. Our employees are encouraged to go paper-light such as adopting duplex printing and copying, and to use recycled paper for printing internal documents to minimise the use of paper.

Above all, we understand the importance of waste management carried out by the subcontractors in our construction sites. The Group has established guidelines to require our subcontractors to implement sound waste management mechanism and measures. To achieve waste reduction at source, we strive to avoid overstocking of materials through effective inventory planning and construction site management. We review our construction plans and schedules to prevent unnecessary generation of wastes due to demolition from improper planning. We also encourage our subcontractors to prioritise the use of green and recyclable materials and equipment during procurement. Used materials such as timber and rubble, as well as steel and metal, are segregated for recycling.

We also maintain strict control on any potentially hazardous waste generated by our subcontractors. We perform regular pH tests on wastewater to ensure the compliance with sewage discharge requirements. All wastes, especially chemical wastes, generated on site are required to be packed, labelled and stored securely in a proper manner. A licensed collector would be hired by the responsible subcontractors to handle and dispose of such wastes to designated locations. Records were also maintained for inspections internally as well as by the Environmental Protection Bureau.

Energy and Resources Consumption and Efficiency

Electricity is the core energy we consume in our office and we use petrol to power our vehicles. The Group adopts resource efficiency and eco-friendly measures and is committed to optimising the use of resources in its office and construction sites. During the Year, our warehouse was used as temporary staff quarters due to COVID-19 travel restrictions, therefore there was an increase in electricity consumption. The total consumption of electricity and petrol during the Year is set out below:

Energy and Resource Consumption	2022	2021
Petrol (L)	**16,401**	19,252
Petrol Intensity (L per MOP'000 of revenue)	**0.0123**	0.0211
Electricity (kWh)	**38,589**	29,802
Electricity Intensity (kWh per MOP'000 of revenue)	**0.0290**	0.0327

Environmental, Social and Governance Report

We continue to look for replacement to environment-friendly petrol or new vehicles with low emissions and high fuel efficiency. We also arrange regular inspection of vehicles to ensure the well-functioning of engines to minimise environmental impact.

To control the electricity consumption as well as the corresponding GHG emissions to attain our ESG target, the Group has continuously reviewed its energy-saving measures and endeavoured to adopt a wide range of programmes and practices to support energy saving. During the Year, we have implemented the following initiatives:

- Eliminate unnecessary energy consumption by switching off idle office and site equipment, machinery, lighting and air-conditioning;
- Install air curtain to maintain indoor temperature and operate air-conditioners at around 25.5°C;
- Use energy efficient appliances in our office, such as LED lightings and electronic devices with Grade 1 Energy Label (i.e. most energy efficient);
- Perform regular cleaning and maintenance to slow down the deterioration of our equipment and applications; and
- Raise awareness among employees by regular training and communications on best energy saving practices.

In addition to managing energy consumption, the Group is committed to promoting awareness of water conservation amongst its staff, as a way of meeting our ESG target. We shall display labels as reminders to avoid unnecessary water consumption. We will also conduct close maintenance and checking to ensure water pipes are well-functioning to avoid water leakage and excessive water usage. During the Year, we did not encounter any problems in sourcing water.

We also require our subcontractors to conserve energy, water and resources throughout the construction process. Subcontractors are encouraged to establish electricity conservation policies, for example, to increase procurement of more energy efficient electronic devices. The workflow has been designed in an energy and resources efficient way. They are encouraged to monitor the energy consumption on their machining equipment. Furthermore, they have reused treated wastewater and conducted regular checking and maintenance to the water pipe system to avoid water leakage.

Besides proper control on the energy and resources consumption within the Group, we continue to introduce energy and water-efficient systems to our clients such as energy-friendly motors and multi-speed fans for ventilation systems, water- cooled heat rejection systems, and condensate water collection system, in order to contribute to the global effort of mitigating climate change.

Noise Control

The Group is aware of the noise issues induced by works performed by subcontractors at construction sites in some projects that involved heavy mechanical equipment. Therefore, we require our subcontractors to strictly observe all relevant local laws and regulations, including the Prevention and Control on Environmental Noise (Decree No. 8/2014).

Only materials or equipment that emit an acceptable level of noise are allowed to be used, and such equipment can only be operated within restricted hours to minimise nuisance to the surrounding environment and residents. We also conduct necessary testing and measures before commencement of works to ensure that the noise generated will be at an acceptable level. Containment devices such as noise enclosures are used for piling rigs. Close monitoring of our subcontractors will be in place to check whether there is any potential violation of local regulations.

Environmental, Social and Governance Report

Environmental Management System

The Group regularly performs environmental assessments to identify potential environmental risks in the workplace as well as the surrounding areas to ensure that the relevant statutory requirements, contractual obligations, and the Group's commitment are met for all our business activities.

In addition, the Group has established an ISO 14001:2015 accredited environmental management system with a purpose to minimise the environmental impact associated with our business. The key features are summarised as below:

- Identify and assess environmental risks as well as relevant legal requirements on an ongoing basis;
- Engage major stakeholders such as employees and subcontractors during the risk assessment process, and jointly develop appropriate mitigation plans;
- Establish measurable and practicable environmental performance objectives and targets, and to evaluate the effectiveness of controls regularly;
- Ensure the availability of resources, and define roles and responsibilities to facilitate effective environmental performance management;
- Investigate and document environmental incidents properly in accordance with relevant legislations and standards, and identify preventive and corrective measures; and
- Perform management review on the environmental management system to assess its adequacy and effectiveness, and identify opportunities for improvement.

Climate Change

Organisations around the globe have been confronting the growing risks associated with climate change. The severe weather events and the changing environmental conditions create direct and indirect implications to humanity. For example, extreme climate events like typhoon and flooding, may pose threat to employee safety and damage to infrastructure, resulting in interruption of business operations. As the international community increasingly advocates the achievement of carbon neutrality, the changing regulatory requirements may pose transitional risks to the Group, potentially leading to risks of non-compliance. Building climate resilience and transforming towards a low carbon economy is becoming an essential part of business development.

MECOM has adopted a forward-looking management approach to assess climate change risks and proactively mitigate climate change impacts on our products, services and operations. For example, we have established contingency plans in case the Group faces unfortunate climate-related hazards. Furthermore, we have been consistently monitoring legal developments to ensure compliance with the latest laws.

As a responsible corporate, we also invest in climate-related projects to contribute to a low emission future.

The Group has continued its EV business in Macau and Guangdong Province, and further expanded our geographical coverage of EV charging infrastructures in the Year. The scope of work includes provision of design, supply, installation, operation and maintenance services for EV charger facilities. Furthermore, the Group has continued its battery-swapping systems for electric charging stations in Guangdong Province. Charging cabinets comprising of sets of lithium-ion phosphate batteries have been installed, which are mainly for serving food delivery riders. These EV charging facilities and battery-swapping systems are expected to enhance energy efficiency, thereby reducing emissions and contributing to a net-zero future.

Environmental, Social and Governance Report

SOCIAL

Human Resources Management

Equal Opportunities

Employee wellbeing underpins our ability in developing value-driven solutions to build a better tomorrow. The Group believes that treating our employees with fairness and respect is one of the key factors to attract and retain talents. Providing equal opportunities and promoting diversity and inclusiveness have been and will always be a fundamental principle of the Group. We strictly observe the local laws and regulations relating to labour practices such as Basic Law on Employment Policy and Labour Rights (Law No. 4/98/M) and Equal Opportunities and Treatment in Employment between Male and Female Workers (Decree Law No. 52/95/M) to protect equality and labour rights.

The Group forbids any form of discrimination or harassment within our workplace and strives to treat all employees with dignity and respect. All decisions regarding recruitment, termination, training, remuneration, promotion of employees should be based on personal capabilities and qualifications without any discrimination on race, skin colour, religion, nationality, gender, age, sexual orientation, disability or other characteristics as protected by law. Our principle of equal treatment and ethical standards have been outlined in the code of conduct for our employees.

Increasing gender equality and opportunities for women remained paramount throughout our business. In 2022, women comprised 20% of directors across the Board, 25% of the senior management and 16% across the workforce. The Group targets to keep at least the current level of female representation across the workforce. The management has taken, and continues to take, steps to promote diversity, including gender diversity, across the workforce in recruitment from time to time.

Recruitment and Termination

Moreover, the Group has established a structured recruitment and termination process under our Recruitment and Termination Policy. Qualified candidates are selected and employed according to pre-set criteria for fair assessment with the consideration of their interview performances, relevant experiences, and academic and professional qualifications. We have also entered into written employment contracts with our employees, which contain information of working hours, salaries and benefits as well as other terms and conditions covering employees' interests.

In order to protect our employees from unreasonable termination, discipline and discharge procedures have been developed, and inappropriate behaviours leading to disciplinary actions or termination are specified in the Employee Handbook distributed to all employees.

Promotion, Remuneration and Working Conditions

The Group has established a comprehensive evaluation mechanism to assess the performances of employees in a fair manner for promotion and remuneration. Supervisors are responsible for carrying out performance analysis of their subordinates based on their goal achievements, strengths and development opportunities.

In addition to market practices and business performances of the Group, individual performances are also taken into account when determining respective remuneration packages, in order to fairly reward the contributions of our employees on the Group's success as well as to attract and retain qualified talents. Their wages and benefits are also regularly reviewed to ensure the remuneration packages are competitive and in compliance with applicable laws and regulations.

On the other hand, the Group encourages work-life balance for our employees. We are committed to the provision of fair and reasonable working hours, work allocation and arrangements to our staff members and they are also entitled to annual leave, sick leave, maternity and paternity leave, as well as rest days in accordance with the local employment laws. Group-subsidised staff gatherings such as luncheons and annual dinners are also organised to enhance staff communication and bonding. During the Year, our staff participated in a marathon organised by Casino operator, which had a positive impact on employee morale.

During the Year, we are not aware of any case of material non-compliance with employment and labour-related laws and regulations in Macau.

Environmental, Social and Governance Report

As at December 31, 2022, the Group had 281 employees in Macau, Hong Kong and Mainland China. Our employee profile is as follows:

Number of Employees	Number
By Gender	
Male	235
Female	46
By Age	
Below 30	36
30 – 50	181
Above 50	64
By Employment Type	
Full-time	107
Contracted staff	174
By Employment Category	
Management personnel	13
Administrative staff	21
Technical staff	53
Others	194
By Geographical Region	
Hong Kong	1
Macau	253
Mainland China	27

Employee Turnover Rate	Percentage
By Gender	
Male	38%
Female	15%
By Age	
Below 30	28%
30 – 50	29%
Above 50	55%
By Employment Type	
Full-time	32%
Contracted staff	35%
By Employment Category	
Management personnel	8%
Administrative staff	10%
Technical staff	30%
Others	40%
By Geographical Region	
Hong Kong	0%
Macau	36%
Mainland China	19%

Environmental, Social and Governance Report

Workplace Health and Safety

The Group recognises the importance of health and safety of our employees, as well as subcontractors and other people who might be affected by our business operation. We abide by the local laws and regulations relating to occupational health and safety such as Compensation for Damages Arising from Occupational Accidents and Diseases (Decree Law No. 40/95/M) to protect the physical and mental well-being of our employees and insure them against occupational accidents and diseases. We are fully committed to maintaining the highest standard of work safety practices. With a set of safety management policy developed, all of our management, employees and subcontractors are required to comply with the following principles:

- To comply with statutory and contractual requirements on occupational health and safety and relevant codes of practice;
- To take occupational health and safety into account when planning engineering activities;
- To provide adequate resources, training and instructions to implement effective safety measures;
- To ensure an effective and efficient communication system on safety management and incident reporting;
- To maintain continual improvement of occupational health and safety performance by identifying safety risks and minimising the impacts.

To effectively implement the aforementioned principles and approaches, we have developed an occupational health and safety management system which has been accredited with the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certification.

A safety team consists of members possessing relevant safety qualifications has been established to perform a safety risk assessment and hazard identification for each project and to ensure all of the project plans comply with our safety guidelines as well as relevant laws and regulations through regular site inspections.

The Group also constantly prepares our employees to take necessary actions to prevent and respond to emergencies such as fire hazards. Various preventive measures have been implemented which are regularly reviewed. Site workers are also briefed for potential safety hazards by the safety team prior to commencement of work to minimise chances of accidents. Personal protective equipment is provided to the site workers to eliminate the risk of work-related injuries and occupational disease. Warning signs are posted in prominent positions, detailing potential health impact, handling procedures and preventive measures, so as to provide a safe occupational environment and minimise health and safety risk at our project sites.

In response to the outbreak of COVID-19, we place the health and safety of our staff at top priority. Regular cleaning and disinfection were carried out to our office area, equipment and facilities to maintain a hygienic and comfortable workplace. We tracked the travel record of our employees and implemented the self-isolation policy to those who returned from overseas regions. Flexible working arrangements were adopted to support work-from-home and avoid rush hour commuting. Under practical circumstances defined in our work-from-home policy, we shall offer partial wage payment to workers that are unable to report to work sites as normal under the pandemic situation. These can help protect the well-being of our staff and prevent spread of viruses. In response to the cross border restriction, workers from Macau were firstly assigned to construction projects to ensure the projects continuity. We have also offered hotel accommodation and staff quarters for our PRC staff. Workers were provided with sufficient mask at work.

Environmental, Social and Governance Report

Over the last three years, including the Year, there were no fatalities recorded for our direct employees. The number of lost days due to work injury in 2022 was 92 days. We were not aware of any case of material non-compliance with occupational health and safety-related laws and regulations in Macau.

Employee Development and Training

The Group acknowledges the importance of training for the purpose of more satisfying job performance and continuous development of employees. Therefore, the Group is committed to providing relevant opportunities, including induction programmes and external courses such as technical training and regulatory updates. We also support our employees to obtain professional qualifications for the advancement of their career developments. Moreover, supervisors are responsible for providing feedback to their subordinates. We also encourage employees to maintain open discussions on strengths and improvements of each other. The breakdown of employees trained and average training hours completed per employee by gender and employment Category during the Year are as follows:

Employees Trained	Percentage
By Gender	
Male	1%
Female	2%
By Employment Category	
Management personnel	31%
Administrative staff	0%
Technical staff	0%
Others	0%

Average Training Hours Completed per Employee	Hours
By Gender	
Male	25.7
Female	27.0
By Employment Category	
Management personnel	26.0
Administrative staff	0
Technical staff	0
Others	0

Environmental, Social and Governance Report

Prohibition of Child Labour and Forced Labour

The Group forbids any unlawful employment, including child and forced labour. We adhere to the minimum age provisions under Labour Relations Law (Law No. 7/2008) set out in Macau and other anti-child and forced labour-related laws and regulations. All of our employees are required to provide relevant identification documents before the commencement of work. We also require our subcontractors to register their employees' identification documents and license numbers to prevent the employment of workers who are not legally eligible to take up any job duties in Macau. In any case that such violation was discovered, the responsible person will be subjected to internal disciplinary actions or handled by authorities when deemed suitable.

During the Year, the Group was not aware of any case of material non-compliance with child and forced labour-related laws and regulations in Macau.

Responsible Supply Chain Selection and Management

The Group encourages our supply chain partners including subcontractors, suppliers and service providers, to adopt environmentally and socially responsible practices. As mentioned in the above "Environment" section, we have required our subcontractors to operate in an environmental-friendly manner to reduce pollution and wastes.

We prefer to engage supply chain partners with satisfactory environmental and social performances, and therefore we have assessed the environmental awareness and management mechanisms of our potential supply chain partners during our selection process. The Group stringently manages suppliers and sub-contractors to avoid the procurement of any inferior or non-environmentally friendly materials or services, and adopts strict quality control. In this regard, the Group maintains a list of approved suppliers and sub-contractors. During our ongoing cooperation, we will maintain close communication and monitoring regarding their environmental and social practices, such as encouraging their procurement of green materials and products. Regular evaluations such as on-site inspections are conducted, and any exception or non-compliance are reported to the management immediately. Timely remediation on the risks identified is required. Failure in complying with our environmental and social expectations may lead to termination of the business relationship.

The numbers of suppliers and subcontractors by geographical regions engaged in the Year are as follows. We have implemented the above mentioned environmental and social related management procedures to all of our suppliers and subcontractors.

Geographical Regions	Number of Subcontractors	Number of Suppliers
Hong Kong	4	20
Macau	85	47
Mainland China	1	29
Other Regions	0	2

Environmental, Social and Governance Report

Product and Services Quality Management

Quality Management

Depending on the project nature, MECOM provides project management or construction services to our clients. As such, we have equipped ourselves with expertise and capability to deliver seamless site management and one-stop solution.

All of our construction services abide by the General Regulation of Urban Construction (Decree Law no. 79/85/M) set out in Macau as well as other local construction related laws and regulations. To ensure our services quality and compliance in different business streams, the Group has established a Quality Management System ("QMS") which has been accredited with the ISO 9001:2015 certification. Internal policy manual has also been set up to provide guidelines to our employees for meeting our quality management objectives as follows:

- To provide effective and reliable services to satisfy the demands and expectations of our clients;
- To comply with all relevant standards, statutory and regulatory requirements;
- To provide appropriate training for employees to enhance the quality of works and services;
- To monitor and improve the effectiveness of QMS by conducting periodic internal reviews, data analysis and enhancement; and
- To obtain feedback regularly to identify the improvement areas of QMS.

There was no products and service-related complaints received that are related to safety and health reasons during the Year.[3]

Protection of Customer Information and Intellectual Property Rights

The Group values the protection of confidential information of our employees and customers as well as intellectual property rights. We comply with local laws and regulations relating to personal information such as the Personal Data Protection Act (Law no. 8/2005) to prevent misuse of our customers' information. No personal or business sensitive information is allowed to be taken away from our premises physically or through company network, unless it has been formally approved by the management and the respective information is only for the use of performing job duties.

Furthermore, employees are required to acknowledge and comply with the Employee Handbook with regards to the confidentiality clause restricting employees from divulging or communicating any customer or company-related information to any person outside of the Group. Any unauthorised access, disclosure or use of information will be subject to disciplinary actions including termination and legal action.

During the Year, we are not aware of any case of material non-compliance regarding service quality and data privacy-related laws and regulations in Macau.

[3] Due to our business nature as an engineering and construction service provider, our operation does not involve any product recalls for safety and health reasons, therefore the relevant disclosures are not applicable.

Environmental, Social and Governance Report

Preventing Bribery and Corruption

The Group has a zero-tolerance policy towards all forms of corruption and fraud such as bribery, extortion, fraud and money laundering. We follow strictly with the Penal Code of Macau as well as other anti-corruption related local laws and regulations to prohibit any form of unethical behaviours. Therefore, an internal control system has been established to monitor our major business activities ranging from tendering, project management, procurement, payment, to financial reporting so as to control any potential fraud risks. We also regularly engage an independent internal control adviser to evaluate adequacy and effectiveness of our internal control system to ensure sound corporate governance.

In addition, training from relevant organisation (e.g. Commission Against Corruption) and legal professionals are arranged for our management team and employees to enhance their awareness of bid-rigging and bribery, as well as the relevant law and regulations. Effective whistleblowing policy and anonymous communication channels have been established for employees, customers and subcontractors in order to help identify and handle fraudulent act properly.

Furthermore, our policy forbids employees to possess any financial or other personal interest in transactions between the Group and our business partners. Potential conflicts of interest that may increase the risk of bribery and bid-rigging will be monitored. If there is any perceived, potential or actual conflict of interest, employees are required to report to the management immediately.

During the Year, the Group was not aware of any case of material non-compliance with corruption-related laws and regulations in Macau.

Contribution to Society

Student Support

We recognise the value of education to the society in ways that enrich and transform lives. To support future leaders and professionals who want to make a difference, we established a partnership with the University of Macau to sponsor academic prizes and scholarships to outstanding graduates since academic year 2018/19. The amount of sponsorship will be MOP10,000 to each awardee, and there will be 10 awardees in total per annum. We are honoured to have such opportunities to demonstrate our commitment in supporting the young generation.

Volunteering and Charity Donation

As a responsible corporate, the Group has been engaging in ongoing community work. We also encourage and support our employees to take part in voluntary services and help the underserved. Members of the Group participated in charitable and meaningful events to show our support for the community.

During the Year, we have cooperated with University of Macau to conduct a research and development project on Intelligent Window-Climbing Robot Platform. The project aims at reducing safety hazard and enhancing efficiency of traditional window-cleaning methods, so as to contribute to the wellbeing of cleaners.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Kuok Lam Sek, aged 60, is an executive Director, the chairman of the Board and the founder of the Group. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Kuok is responsible for the overall management and strategic planning of the Group.

Mr. Kuok has over 40 years of experience in the construction industry. Prior to establishing Engenharia Hung Yip, Mr. Kuok worked as a contractor worker in various construction contractors in Macau, where he commenced his career in the engineering and construction industry. In December 2000, Mr. Kuok founded Engenharia Hung Yip which was then engaged in the steel structure works, where he served as a director and was responsible for the project management and management of various kinds of large scale construction projects (including construction work for the 4th East Asian Games in Macau).

Mr. Sou Kun Tou, aged 56, is an executive Director, the deputy chairman of the Board and the chief executive officer of the Company. He was appointed as a Director in May 2017 and was re-designated as an executive Director on 6 July 2017. Mr. Sou is responsible for the day-to-day business operations of the Group.

Mr. Sou has over 34 years of experience in the construction industry. Prior to joining the Group, Mr. Sou served as an assistant engineer at the planning and development department of Macau Water Supply Co., Ltd., a company which is engaged in water treatment, from August 1988 to December 1989 where he was primarily responsible for assisting engineers in engineering related works. From December 1989 to September 1994, Mr. Sou served as the general manager at Decol Ltd., a provider primarily engaged in electrical and mechanical services work, where he was primarily responsible for designing and managing electrical and mechanical projects. From October 1994 to November 2006, Mr. Sou held various positions at the Macau government and last served as the Chiefe de Divisao de Equipamentos Urbanos, Deste Instituto (民政總處設備處處長) and was primarily responsible for overseeing electrical and mechanical matters.

Mr. Sou obtained his Bachelor's Degree of Precision Mechanical Engineering, majoring in mechanical manufacturing technology and equipment, from Huaqiao University in China in July 1988. He obtained his master of electromechanical engineering from the Universidade de Macau in August 2002. Mr. Sou was admitted as an engineer by DSSOPT (土地工務運輸司) in May 1991.

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy, aged 58, was appointed as an independent non-executive Director on 23 January 2018, and is the chairlady of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Ms. Chan has been appointed as the chief executive officer of Northeast Asia Region of Richemont Asia Pacific Limited effective from 1 September 2022, where she is responsible for overseeing its operations in Hainan, Hong Kong, Macau and Taiwan. She has been working with Richemont Luxury Group, one of the global luxury goods companies, for over 25 years. With more than 25 years of experience in several prestigious multinational corporations, Ms. Chan leads Richemont Luxury Group in maximising operational efficiency and cost effectiveness with knowledge in risk management and corporate governance as well as in-depth perception in strategic planning, business development and performance measurement development. Prior to joining Richemont Luxury Group, Ms. Chan served as the financial controller at Marsh & McLennan Limited, a global professional services firm, where she was primarily responsible for the financial control and business planning.

Ms. Chan holds a Bachelor Degree of Commerce in Accounting from the University of New South Wales and completed the Luxury Brand Management Executive Program at ESSEC Business School. She has been a certified practicing accountant of CPA Australia since October 1992.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(continued)*

Independent Non-executive Directors *(continued)*

Since July 2021, Ms. Chan has been an independent director of Black Spade Acquisition Co, a special purpose acquisition company listed on the New York Stock Exchange (NYSE: BSAQ) which is focused on identifying a business combination target that is related to or in the entertainment industry, with a focus on enabling technology, lifestyle brands, products, or services, and entertainment media.

Mr. Cheung Kiu Cho, Vincent, aged 47, was appointed as an independent non-executive Director on 23 January 2018, and is the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee of the Company.

Mr. Cheung has over 25 years of experience in real estate industry and assets valuation and advisory sector. Mr. Cheung is currently the managing director of Vincorn Consulting and Appraisal Limited, where he is responsible for the corporate valuation and advisory services across Asia. From January 2016 to November 2018, Mr. Cheung joined Colliers International (Hong Kong) Limited, a global real estate firm, and last served as the deputy managing director of valuation and advisory services division in Asia where he was responsible for providing valuation and corporate advisory services across Asia and advised his clients in various acquisition and disposal of various types of projects in different regions.

Mr. Cheung holds a Master Degree of Business Administration in International Management from the University of London (in association with Royal Holloway and Bedford New College) and a Bachelor of Science Degree (Honours) in Real Estate from the Hong Kong Polytechnic University. Mr. Cheung is a Registered Professional Surveyor in the General Practice Division by the Surveyors Registration Board in Hong Kong, member of the Hong Kong Institute of Surveyors, fellow member and registered valuer of the Royal Institution of Chartered Surveyors. Mr. Cheung is also a member of Hong Kong Securities and Investment Institute and Hong Kong Institute of Real Estate Administrators.

From June 2006 to April 2021, Mr. Cheung was an independent non-executive director and the chairman of the nomination committee and remuneration committee and a member of the audit committee of China Automobile New Retail (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 526) which is primarily engaged in manufacturing and trading of household products, operation of department stores and supermarkets, wholesale of wine and beverages and electrical appliances, and car trading services. From September 2017 to April 2021, Mr. Cheung was an independent non-executive director and a member of the audit committee and nomination committee of RMH Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8437) which is primarily engaged in provision of medical and surgical services in dermatology in Singapore.

From November 2020 to April 2021, Mr. Cheung was a non-executive director and a member of the audit committee, nomination committee and remuneration committee of GTI Holdings Limited (In liquidation) ("GTI"), a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 3344) which is primarily engaged in trading of petroleum and chemical products, operation of textile business and RMB bank notes clearing up services business. On 22 November 2021, a winding up order (the "Winding Up Order") was made by the High Court of Hong Kong against GTI upon a winding up petition filed on 11 March 2020 in respect of a debt HK$7,815,000 owing under the bonds issued by GTI. The Official Receiver was appointed as the provisional liquidator of GTI pursuant to the Winding Up Order. The securities of GTI have been suspended from trading since 4 October 2021. Mr. Cheung confirmed that he is not one of the respondents of such petition nor a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him because of the Winding Up Order.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Lio Weng Tong, aged 46, was appointed as an independent non-executive Director on 13 December 2019, and is the chairman of the Remuneration Committee and a member of the Nomination Committee and Audit Committee of the Company.

Mr. Lio has over 13 years of entrepreneurial and investment experience in early growth-oriented innovative technology companies, and is particularly passionate about artificial intelligence, blockchain, software as a service and ocean economy industries. Mr. Lio is the founder and director of Teclent Venture Investment Ltd. Mr. Lio has been serving as the director of Corporate Finance in CIBT Education Group Inc. since December 2018, which is an education and student housing investment company in Canada focused on the global education market. CIBT Education Group Inc. is listed on the Toronto Stock Exchange (stock code: MBA) and International OTCQX (stock code: MBAIF).

Mr. Lio holds a Bachelor Degree of Computer Science from the University of British Columbia. Mr. Lio also holds a number of social appointments, including being an executive member of the 13th Guangdong Federation of Industry and Commerce (General Chamber of Commerce) (廣東省工商聯（總商會）第十三屆執行委員), committee member of the Innovation and Technology Commission (創新科技署), the Environmental Protection Department (環境保護署) and the Innovation and Technology Training Committee of the Vocational Training Council (職業訓練局創新及科技訓練委員會) and committee member of the Chinese General Chamber of Commerce, Hong Kong (香港中華總商會).

SENIOR MANAGEMENT

Mr. Lam Kuok Wa, aged 49, is the chief operating officer and is primarily responsible for the day to day operations management, engineering project management and supervision of the Group. Mr. Lam has over 25 years of experience in the civil engineering industry and he joined the Group in 2007.

Mr. Lam holds a Bachelor's Degree in Engineering, majoring in civil engineering, from the Universidade de Macau. Mr. Lam is a civil engineer of Conselho de Arquitectura, Engenharia e Urbanismo (建築、工程及城市規劃專業委員會).

Mr. Lao Ka Wa, aged 49, is the vice president and is primarily responsible for engineering project coordination and supervision of the Group. Mr. Lao has over 29 years of experience in the construction industry and he joined the Group in 2007.

Ms. Tam Wing Yee, aged 41, is the finance manager and the company secretary and is responsible for finance, accounting and company secretarial matters of the Group. Ms. Tam has over 19 years of experience in accounting and auditing and she joined the Group in 2017.

Ms. Tam holds a Bachelor's Degree in Business Administration (Honours) from The Chinese University of Hong Kong. Ms. Tam has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2008.

COMPANY SECRETARY

Ms. Tam Wing Yee, aged 41, is the company secretary. For details of her background, please refer to the sub-section headed "Senior Management" in this section.

Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2022.

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 of the Company (the "Shareholders"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

A new Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules came into effect on 1 January 2022. The Company has adopted the code provisions set out in Part 2 of the CG Code 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 Year.

CULTURES AND VALUES

A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all the activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly embedded in various policies such as the employee handbook, the code of conduct and ethics, the anti-corruption policy and the whistleblowing policy of the Group.

Quality assurance and value creation

The Group has committed to workforce development, workplace safety and health, diversity, and sustainability. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, and to pursue continuous adding value on Shareholders, employees, working partners and society.

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 Year.

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 pursuant to the restrictions under the Model Code as if he/she were a Director.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the code provision A.2.1 of Part 2 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosures in the corporate governance report as set out in the annual report of the Company.

During the Year, the Board is performing the abovementioned corporate governance functions.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders. The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The functions performed by the Board include formulating the Board's business plans and strategies, making all significant financial and operational decisions, developing, monitoring and reviewing the Group's corporate governance and addressing Shareholders' concerns at general meetings. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board. The Board has established three Board committees, being the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") (collectively, the "Board Committees"), to oversee different areas of the Company's affairs.

Board Composition

The Board currently consists of five Directors, including two executive Directors and three independent non-executive Directors (the "INED(s)"), as follows:

Executive Directors
Mr. Kuok Lam Sek *(Chairman)*
Mr. Sou Kun Tou

Independent Non-executive Directors
Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The biographies of the Directors are set out in the "Biographical Details of Directors and Senior Management" section of this annual report, which demonstrates a diversity of skills, expertise, experience and qualifications. Save as disclosed therein, there are no financial, business, family or other material or relevant relationships among the members of the Board.

Each of the Executive Directors has renewed his service agreement with the Company for a term of two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice. Each of the INEDs has renewed his/her appointment letter with the Company for a term of two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

During the year ended 31 December 2022, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

The three INEDs represent more than one-third of the Board and such representation exceeds the ratio required under Rule 3.10A of the Listing Rules, which indicates that there is a strong element of independence on the Board which can effectively exercise independent judgment. The Board believes there is sufficient element of independence in the Board to safeguard the interest of the Shareholders.

Independence of the INEDs

The role of the INEDs is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and Board Committees to provide their independent and objective views. All the INEDs are free from any business or other relationships with the Company.

The Company has received written annual confirmation of independence from each INED in accordance with Rule 3.13 to the Listing Rules. The Company has assessed their independence and concluded that all the INEDs are independent within the meaning of the Listing Rules.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

The Board has also established mechanisms to ensure independent views are available to the Board. All Directors have separate and independent access to the Group's senior management and operational staff to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. The chairman of the Board will hold meetings with the INEDs without the involvement of other Directors at least annually to discuss any issues and concerns. The Board has reviewed and considered that the mechanisms were effective in ensuring that independent views and input were provided to the Board during the Year.

Continuing Professional Development

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Continuing Professional Development *(Continued)*

The individual training record of each Director during the year ended 31 December 2022 is summarised below:

Name of Director	Attending training course(s)	Reading materials
Executive Directors		
Mr. Kuok Lam Sek *(Chairman)*	✓	✓
Mr. Sou Kun Tou	✓	✓
Independent Non-executive Directors		
Ms. Chan Po Yi, Patsy	✓	✓
Mr. Cheung Kiu Cho, Vincent	✓	✓
Mr. Lio Weng Tong	✓	✓

Attendance Records of Directors and Committee Meetings

Code provision C.5.1 of Part 2 of the CG Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Other Board meetings will be held if necessary.

Code provision C.2.7 of Part 2 of the CG Code requires that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

A summary of the attendance records of the Directors at the Board and Board committee meetings and annual general meeting (the "AGM") held during the Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Mr. Kuok Lam Sek	12/12	N/A	N/A	N/A	1/1
Mr. Sou Kun Tou	12/12	N/A	N/A	N/A	1/1
Ms. Chan Po Yi, Patsy	11/12	1/2	1/1	1/1	1/1
Mr. Cheung Kiu Cho, Vincent	12/12	2/2	1/1	1/1	1/1
Mr. Lio Weng Tong	12/12	2/2	1/1	1/1	1/1

Apart from the above regular Board meetings, the Chairman also held a meeting with the INEDs only without the presence of other Directors during the Year.

Corporate Governance Report

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Company.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee specific aspects of the Group's affairs and help it in the execution of its responsibilities. The members of each Board committee are the INEDs. These committees each have specific written terms of reference which clearly outline the committees' authorities and duties, and which require the committees to report back on their decisions or recommendations to the Board. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 to the Listing Rules and principle D.3 of Part 2 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. The Audit Committee is chaired by Ms. Chan Po Yi, Patsy who has appropriate professional qualifications as required under Rule 3.10(2) to 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 members of the Audit Committee meet at least twice a year. During the year ended 31 December 2022, the Audit Committee held two meetings during which the Audit Committee has, inter alia, reviewed (i) the consolidated financial statements of the Group for the year ended 31 December 2021 and for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group; (ii) the risk management and internal control system of the Group; and (iii) the appointment of external auditor and their relevant scope of works.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 to the Listing Rules and principle E.1 of Part 2 of the CG Code. The Remuneration Committee consists of three members, namely Mr. Lio Weng Tong, Ms. Chan Po Yi, Patsy and Mr. Cheung Kiu Cho, Vincent. The Remuneration Committee is chaired by Mr. Lio Weng Tong.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of individual Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Remuneration Committee *(Continued)*

Pursuant to code provision E.1.5 of Part 2 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2022 is as follows:

Remuneration band	Number of individual
Not exceeding MOP1,000,000	1
MOP2,000,000 to MOP3,000,000	2

The members of the Remuneration Committee meet at least once a year. During the year ended 31 December 2022, the Remuneration Committee met once, during which the Remuneration Committee has, inter alia, reviewed the remuneration packages for individual executive Directors and senior management and made recommendations to the Board.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with principle B.3 of Part 2 of the CG Code. The Nomination Committee consists of three members, namely Mr. Cheung Kiu Cho, Vincent, Mr. Lio Weng Tong and Ms. Chan Po Yi, Patsy. The Nomination Committee is chaired by Mr. Cheung Kiu Cho, Vincent.

The primary duties of the Nomination Committee include (but without limitation): (i) reviewing the diversity of the Board with reference to the Company' board diversity policy (the "Board Diversity Policy") and the Board composition; (ii) developing and maintaining a policy for the nomination of board members (the "Nomination Policy"); (iii) making recommendations to the Board on the selection of individuals nominated for directorship; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (v) assessing the independence of independent non-executive Directors.

The members of the Nomination Committee can call for a meeting anytime when it is necessary. During the year ended 31 December 2022, the Nomination Committee met once, during which the Nomination Committee had, inter alia, (i) reviewed the structure, size, composition and diversity of the Board, (ii) assessed the independence of the INEDs; and (iii) considered the qualifications of the retiring Directors standing for election at the AGM and made recommendations to the Board for the re-election of Directors. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs and that the Directors bring with them complimenting skills and experience appropriate to the requirements of the Company's business.

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's businesses.

Appointment to the Board should be based on merit that compliments and expands the skills and experience of the Board as a whole, and after due regard to factors including, without limitation, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

The Board currently has one female Director. Taking into account the business model and specific needs as well as the presence of one female Director out of a total of five Board members, the Board considered that the composition of the Board satisfies the Board Diversity Policy. The Board targeted to keep the current level of at least 20% female representation in the Board. Nevertheless, the Nomination Committee will also use reasonable efforts to identify and recommend female candidates to the Board for consideration for appointment as Directors from time to time.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(Continued)*

Board Diversity Policy (Continued)

In particular, going forward and with a view to developing a pipeline of potential successors to the Board, the Company will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of the Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or Board so that the Board will have a pipeline of female senior management and potential successors to the Board in a few years' time.

Gender diversity at workforce levels is disclosed in the section headed "Environmental, Social and Governance Report" in this annual report.

The Nomination Committee and the Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

Nomination Policy

The Company has adopted the Nomination Policy which sets out the criteria and process in the nomination and appointment of Directors of the Company in order to nominate suitable candidates to the Board.

Criteria for evaluation and selection of candidates for directorship

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the non-executive Director candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity profile.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- The candidate should have sufficient time for the proper discharge of the duties of a Director, including devoting adequate time for the preparation and participation in meetings, training and other activities of the Board or Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(Continued)*

Nomination Policy (Continued)

Nomination Process – Appointment of New Director

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above and such other factors as it considers appropriate to determine whether such candidate is qualified for directorship.

- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. The Board has the final authority on determining suitable Director candidate for appointment.

- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above and such other factors as it considers appropriate to determine whether such candidate is qualified for directorship.

  Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

Nomination Process – Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above and such other factors as it considers appropriate.

- The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of the retiring Director at the general meeting.

- Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate shall be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules, the memorandum and articles of association of the Company (the "Articles of Association") and/or applicable laws and regulations. In particular, in relation to the election or re-election of an individual as INED at a general meeting, the Board should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

  (i) the process used for identifying the candidate and why the Board believes the candidate should be elected and the reasons why it considers the candidate to be independent;

  (ii) if the proposed INED will be holding their seventh (or more) listed company directorship, why the Board believes the candidate would still be able to devote sufficient time to the Board;

Corporate Governance Report

BOARD COMMITTEES *(continued)*

Nomination Committee *(Continued)*

Nomination Policy (Continued)

Nomination Process – Re-election of Director at General Meeting *(Continued)*

(iii) the perspectives, skills and experience that the candidate can bring to the Board; and

(iv) how the candidate contributes to diversity of the Board.

Review

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

During the Year, the Company Secretary had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

Pursuant to the CG Code, the Board has adopted a dividend policy (the "Dividend Policy") which aims to allow the Shareholders to share the profits of the Company whilst retaining adequate reserves for the future growth of the Group. According to the Dividend Policy, declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(a) the Group's actual and expected financial performance;

(b) the Group's liquidity condition, expected working capital requirements, capital expenditure requirements and future expansion plans;

(c) the taxation considerations;

(d) the contractual, statutory and regulatory restriction, if any;

(e) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) any other factors that the Board may deem relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Act of the Cayman Islands and the Articles of Association. The Dividend Policy is subject to review by the Board from time to time and will be amended as and when appropriate.

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the Group's state of affairs, results and cash flows and in accordance with the relevant accounting standards and principles and the disclosure requirements under applicable laws and regulations in Hong Kong. In preparing the consolidated financial statements of the Group for the Year, the Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to any events or conditions which may affect the business of the Group or cast doubts over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements for the Year.

The responsibilities of external auditor of the Company, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu, certified public accountants (the "Auditor"), has been appointed as the external auditor of the Company. During the Year, the fees paid or payable to the Auditor in respect of its audit and non-audit services provided to the Group is set out as follows:

	Fees paid or payable during the Year HK$ million
Annual audit services	1.9
Non-audit services	0.9
Total	2.8

Non-audit services mainly included interim review, taxation and advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board is also responsible for reviewing from time to time, and at least annually, the effectiveness of the Group's risk management and internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Clear roles and responsibilities are assigned to different level of management within the Group. Management of the Group is responsible for designing, implementing and monitoring risk management and internal control systems, and is responsible for identifying, analysing and prioritising risk for further consideration by the Board, and ensuring that the risk monitoring and control system are working effectively and risk mitigation actions are implemented within business units.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Board has reviewed the effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions for the Year. Based on the result of review in respect of the Year, the Directors considered that the risk management and internal control systems of the Group are effective and adequate.

The Group has established a set of risk management and internal control policies and measures covering various aspects of its operations, including but not limited to: (a) revenue and receipts; (b) capital expenditure management; (c) purchases, expenses and payments; (d) human resources and payroll; (e) treasury management; and (f) financial reporting. These policies and measures are to ensure proper accounting records are kept so that reliable financial reporting can be provided, effectiveness and efficiency of operation can be achieved, compliance with applicable laws and regulations and safeguarding of assets can be maintained.

The Board is also of the view that safety, as part of loss control management, is a vital part of the construction business worldwide, and if not managed properly, it can be extremely costly not only in human terms, but also in monetary terms. Therefore, safety is treated as the highest priority during the delivery of our services with emphasis on hazard management and risk assessment.

The Group has established safety manuals and project safety plans to ensure that all workers at the construction sites are well aware of all the stipulated safety requirements. In addition, qualified safety officer and safety supervisor are deployed to monitor and implement our safety system in each construction project. The Company has been accredited with ISO 14001 and OHSAS 18001 qualifications in respect of our environmental management system and occupational safety and health management system. As a result, the Board is satisfied that these measures are adequate and effective to promote a safer and healthier environment for the workers at the construction sites.

The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group which are discussed below. Firstly, the Audit Committee has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations. Our internal control measures, policies and procedures which were codified, adopted and implemented by the Group, have also been updated and revised. Furthermore, the Company engaged an external independent consultant (the "Consultant") to perform periodic review of our risk management and internal control system to evaluate the effectiveness of the Group's material internal controls so as to provide assurance that key internal control measures are carried out appropriately and are functioning as intended. Any findings or irregularities identified, together with the remedial actions and recommendations to enhance our internal control measures and policies, are discussed with the management and reported to the Audit Committee. For the Year, findings and recommendations from such review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

WHISTLEBLOWING POLICY

A whistleblowing policy (the "Whistleblowing Policy") is in place to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourage the reporting of misconduct, unlawful and unethical behaviour.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Company Secretary. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered.

The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Corporate Governance Report

ANTI-CORRUPTION POLICY

The Group's anti-corruption policy (the "Anti-corruption Policy") was introduced in January 2022. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

DISSEMINATION OF INSIDE INFORMATION

For the handling and dissemination of inside information, an inside information handling policy is in place to enable the Group to handle inside information and, where required, communicate with the Group's stakeholders in a timely manner.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, an extraordinary general meeting shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Companies Act of the Cayman Islands for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(continued)*

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Units Q, R and S, 6/F, Praça Kin Heng Long-Heng Hoi Kuok, Kin Fu Kuok,
No. 258 Alameda Dr. Carlos D'Assumpção, Macau
(For the attention of the Board of Directors)
Fax: 853 – 2823 8112
Email: info@mecommacau.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted the shareholders' communication policy (the "Shareholders' Communication Policy") with the objective of ensuring that the Shareholders and potential investors are provided with timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the Shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the on the Company's website at www.mecommacau.com and the Stock Exchange's website at www.hkexnews.hk;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and the Stock Exchange;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors (or their delegates as appropriate); and

(v) The Hong Kong branch share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company continues to promote investor relations and enhance communication with the existing Shareholders and potential investors for better understanding of the Group's business performance and strategies. The Shareholders' Communication Policy is reviewed by the Board on a regular basis. Based on the foregoing, the Company considers the implementation of the Shareholders' communication policy during the Year was effective.

CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at the AGM held at 30 May 2022 to amend and adopt the second amended and restated Articles of Association in order to comply with the recent amendments to the Listing Rules. The Articles of Association is also available on the websites of the Company and the Stock Exchange.

Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are provision of construction services, including construction and fitting out works, high voltage power substation construction and its system installation works, electrical and mechanical engineering services works, and provision of facilities management services. The Group is also engaged in provision of EV charging services. During the Year, the Group diversified its existing businesses by entering into the steel structures business which involves the sales and processing of metal materials. The principal activities and other particulars of the subsidiaries are set out in note 31 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

The Board did not recommend payment of a final dividend for the year ended 31 December 2022.

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends for the year ended 31 December 2022.

BONUS ISSUE OF SHARES

For the year ended 31 December 2021, the Board recommended a bonus issue of 891,039,150 new Shares to the existing Shareholders on the basis of one bonus Share for every two existing Shares held by the Shareholders 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.

For the year ended 31 December 2022, the Board has also recommended to issue bonus Shares (the "Bonus Shares", each a "Bonus Share") on the basis of one new Bonus Share credited as fully paid for every two existing Shares held by the Shareholders whose names appear on the register of members of the Company on 6 June 2023 (the "Bonus Issue"). The Bonus Issue is subject to, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares and the Shareholders' approval at the forthcoming AGM, and if all necessary approvals are obtained, the share certificate of the Bonus Shares will be posted on or about 29 June 2023.

Directors' Report

BONUS WARRANTS ISSUE

On 10 May 2022, the Company issued a circular (the "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 effect from 8 June 2022 and further adjusted from HK$2.95 to HK$2.93 per Share with effect from 16 September 2022. Details of the adjustments are disclosed in the Company's announcements dated 7 June 2022 and 15 September 2022.

As at the date of this report, 61,700 Warrants have been exercised resulting in the issuance of 61,700 Shares by the Company, and the Company has 178,140,000 outstanding Warrants carrying the right to subscribe for 178,140,000 new Shares. As disclosed in the Circular, the Group would apply any subscription monies received as and when the subscription rights are exercised (the "Subscription Monies") (i) for strengthening the business development in (a) sales and processing of metal materials for construction and steel structures business, (b) EV charging services, and (c) lithium-ion phosphate battery-swapping systems; and (ii) towards general working capital of the Group. As at 31 December 2022, approximately HK$265,000 of the Subscription Monies has been applied towards the general working capital of the Group.

For the year ended 31 December 2022, the Board proposes, subject to the satisfaction of the conditions below, to issue bonus warrants (the "2024 Warrants") to the qualifying Shareholders on the basis of one 2024 Warrant for every ten Shares held on 18 May 2023, the record date for ascertaining the entitlements of Shareholders to the issue of the 2024 Warrants (the "2024 Bonus Warrants Issue").

The 2024 Bonus Warrants Issue will be conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the 2024 Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the 2024 Warrants.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022, comprising an analysis of the Group's performance during the Year, a discussion of the principal risks and uncertainties faced by the Group as well as an indication of likely future business development, is set out in the section headed "Management Discussion and Analysis" on pages 6 to 24 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 144 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Year are set out in note 12 to the consolidated financial statements.

Directors' Report

DONATIONS

During the Year, the Group made other donations amounted to MOP100,000 (2021: MOP100,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 21 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 76 of this annual report and in note 30 to the consolidated financial statements, respectively.

The reserves of the Company which were available for distribution to Shareholders at 31 December 2022 were MOP357,309,000.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The forthcoming AGM is scheduled to be held on Tuesday, 30 May 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, 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 Tuesday, 23 May 2023.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS SHARES

The Bonus Issue is subject to the Shareholders' approval at the AGM. For determining the entitlement to the Bonus Issue, the register of members of the Company will be closed from Monday, 5 June 2023 to Tuesday, 6 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible for the Bonus Issue, 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 Friday, 2 June 2023.

CLOSURE OF REGISTER OF MEMBERS FOR 2024 BONUS WARRANTS ISSUE

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Thursday, 18 May 2023 (both days inclusive) for determining entitlements to the 2024 Bonus Warrants Issue.

The last day for dealing in Shares cum-entitlements to the 2024 Bonus Warrants Issue will be Thursday, 11 May 2023. In order to qualify for the 2024 Bonus Warrants Issue, all outstanding transfer of Shares should be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 15 May 2023.

Directors' Report

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the Year, the Group's top five customers accounted for approximately 65.7% of the Group's total revenue for the Year. The largest customer accounted for approximately 35.5% of the Group's total revenue for the Year.

During the Year, purchases from the Group's top five suppliers and subcontractors accounted for approximately 41.8% of the Group's total purchase costs for the Year. The largest subcontractor accounted for approximately 16.7% of the Group's purchases costs for the Year.

None of the Directors, their close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) has any interest in the Group's five largest customers or its five largest suppliers and subcontractors.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Kuok Lam Sek *(Chairman)*
Mr. Sou Kun Tou

Independent Non-executive Directors

Ms. Chan Po Yi, Patsy
Mr. Cheung Kiu Cho, Vincent
Mr. Lio Weng Tong

In accordance with article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Mr. Sou Kun Tou and Mr. Lio Weng Tong will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 40 to 42 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the INEDs are independent.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has renewed his service agreement with the Company, and each of the INEDs has renewed his/her appointment letter with the Company, for a term of two years commencing from 13 February 2023 which can be terminated by either party with three months' written notice.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, each director or other officer of the Company shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

Except for the Share Option Scheme, no equity-linked agreements were entered into by the Group or in existence during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 23 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 23 to the consolidated financial statements, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and the controlling Shareholder of the Company or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholder of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code contained in the Listing Rules were as follows:

(i) Long positions in the Shares and underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares held pursuant to Warrants	Total	Approximate percentage of shareholding interest(Note 1)
Mr. Kuok Lam Sek ("Mr. Kuok")(Note 2)	Interest of the controlled corporation	1,352,160,000	90,144,000	1,442,304,000	54.14%
Mr. Sou Kun Tou ("Mr. Sou")(Note 2)	Interest of the controlled corporation	1,352,160,000	90,144,000	1,442,304,000	54.14%
Ms. Chan Po Yi, Patsy	Beneficial interest	450,000	30,000	480,000	0.02%

Notes:

(1) Based on 2,664,063,850 Shares in issue as at 31 December 2022.

(2) MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam Kuok Wa ("Mr. Lam") and 15% by Mr. Lao Ka Wa ("Mr. Lao"), respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Percentage holding
Mr. Kuok(Note)	MECOM Holding Limited	Beneficial owner and interest held jointly with other persons	100	100%
Mr. Sou(Note)	MECOM Holding Limited	Beneficial owner and interest held jointly with other persons	100	100%

Note: MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam and 15% by Mr. Lao, respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares of the Company

Name	Nature of interest	Number of Shares	Number of underlying Shares held pursuant to Warrants	Total	Approximate percentage of shareholding interest(Note 1)
Mr. Lam(Note 2)	Interest of the controlled corporation	1,352,160,000	90,144,000	1,442,304,000	54.14%
Mr. Lao(Note 2)	Interest of the controlled corporation	1,352,160,000	90,144,000	1,442,304,000	54.14%
MECOM Holding Limited	Beneficial owner	1,352,160,000	90,144,000	1,442,304,000	54.14%
Mr. Kuan Chio Man ("Mr. Kuan")(Note 3)	Interest of the controlled corporation	333,995,000	22,365,000	356,360,000	13.38%
Mr. Lei Kuok Hong ("Mr. Lei")(Note 3)	Beneficial owner	1,480,500	–	1,480,500	0.06%
	Interest of the controlled corporation	333,995,000	22,365,000	356,360,000	13.38%
Macau New Base Investment Company Limited ("Macau New Base")	Beneficial owner	333,995,000	22,365,000	356,360,000	13.38%

Notes:

(1) Based on 2,664,063,850 Shares in issue as at 31 December 2022.

(2) MECOM Holding Limited is owned as to 35% by Mr. Kuok, 35% by Mr. Sou, 15% by Mr. Lam and 15% by Mr. Lao, respectively. Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao are parties acting in concert.

(3) Macau New Base is owned as to 35% by Mr. Kuan and 35% by Mr. Lei. By virtue of the SFO, Mr. Kuan and Mr. Lei are deemed to be interested in the Shares held by Macau New Base.

Save as disclosed above, as at 31 December 2022, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Report

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Shareholders on 23 January 2018 and became effective upon the Listing. Details of the Share Option Scheme are disclosed in note 22 to the consolidated financial statements.

During the Year, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

COMPETING BUSINESS

During the Year, none of the Directors or the controlling Shareholders of the Company and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

Deed of Non-Competition

The deed of non-competition (the "Deed of Non-Competition") dated 23 January 2018 has been entered into by MECOM Holding Limited, Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao, the controlling Shareholders of the Company within the meaning of the Listing Rules (collectively the "Controlling Shareholders") in favour of the Company, details of which are set out in section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" in the prospectus of the Company dated 1 February 2018.

The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The INEDs had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-Competition and considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2022 are disclosed in note 23 to the consolidated financial statements. These transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Directors' Report

DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreements dated 27 September 2022

In September 2022, EHY Construction and Engineering Company Limited ("EHY"), Sun Hung Yip Engineering Construction Company Limited ("SHY") and Ao Gang Construction (Macau) Limited ("Ao Gang Construction") as borrowers and the Company as guarantor entered into three facility agreements (the "Facility Agreements") with Tai Fung Bank, Macau Branch (the "Bank") for (i) a revolving loan facility of up to HK$50,000,000 and a term loan facility of up to HK$5,000,000 for EHY with a term of one year and two years, respectively, from the drawdown date, (ii) a term loan facility of up to HK$5,000,000 for SHY with a term of two years, (iii) a revolving commitment for issuance of bank guarantees of up to HK$200,000,000 for EHY and SHY for the period up to 11 July 2023, and (iv) for a revolving invoice financing facility of up to HK$80,000,000 for Ao Gang Construction with a term of one year from the drawdown date (collectively, the "Facilities").

Under the terms of the Facility Agreements, it will constitute an event of default if, among other things, Mr. Kuok and Mr. Sou cease to maintain management control over the Company or cease to act as the key management of the Company. On and at any time after the occurrence of a continuing event of default, the Bank may, upon notice to the borrowers and/or guarantors thereunder (as the case may be), cancel all or any part of the commitment immediately and/or declare that all or part of the Facilities, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable and/or declare that all or part of the Facilities be payable on demand; and/or exercise any or all of its rights, remedies, powers and discretions under the Facility Agreements.

Please refer to the Company's announcement dated 30 September 2022 for further information.

Facility Agreement dated 3 March 2023

In March 2023, Ao Gang Construction as borrower, the Company as guarantor (to the extent of 60% of the outstanding liabilities incurred by Ao Gang Construction thereunder) and Chang Tsuo Heavy Equipment Technology (Macau) Co., Ltd.* (將作重工裝備科技(澳門)有限公司) as guarantor (to the extent of 40% of the outstanding liabilities incurred by Ao Gang Construction thereunder) entered into a facility agreement (the "2023 Facility Agreement") with Luso International Banking Ltd, for a resolving working capital loan facility of up to HK$30,000,000 (the "2023 Facility") with a term of fifteen months from the date of the 2023 Facility Agreement.

Under the terms of the 2023 Facility Agreement, a specific performance covenant is imposed on Mr. Kuok, Mr. Sou, Mr. Lam and Mr. Lao (who are the Controlling Shareholders) to hold directly or indirectly not less than 50% equity interest in MECOM Holding Limited, the direct holding company of the Company. Failure to comply with the aforesaid covenant by the Controlling Shareholders will constitute an event of default under the 2023 Facility Agreement. On and at any time after the occurrence of a continuing event of default, the bank may, upon notice to the borrower and/or guarantors thereunder (as the case may be), cancel all or any part of the commitment immediately and/or declare that all or part of the 2023 Facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable and/or declare that all or part of the 2023 Facility be payable on demand; and/or exercise any or all of its rights, remedies, powers and discretions under the 2023 Facility Agreement.

Please refer to the Company's announcement dated 8 March 2023 for further information.

Directors' Report

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

The Company repurchased 9,384,000 Shares on the Stock Exchange during the Year. The total consideration (including transaction costs) of the repurchases was approximately HK$19,407,000. 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 Highest	Purchase price per Share Lowest	Aggregate consideration
		HK$	HK$	HK$
January 2022	100,000	3.66	3.64	371,000
March 2022	230,000	3.58	3.56	830,000
September 2022	8,732,000	2.14	1.78	17,651,000
October 2022	322,000	1.89	1.55	555,000
	9,384,000			19,407,000

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 Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief available for the Shareholders by reason of their holding of the Shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the Year as required under the Listing Rules.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with all the code provisions set out in Part 2 of the CG Code during the Year. For details, please refer to the Corporate Governance Report set out on pages 43 to 55 of this annual report.

Directors' Report

EMOLUMENT POLICY

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Director are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements.

The Company has adopted the Share Option Scheme as an incentive to eligible persons, details of which are set out under the section headed "Share Option Scheme" in this report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no other important events affecting the Group that had occurred after 31 December 2022 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

(For identification purposes only)*

On behalf of the Board

Kuok Lam Sek
Chairman

Hong Kong, 30 March 2023

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
MECOM POWER AND CONSTRUCTION LIMITED
澳能建設控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MECOM Power and Construction Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") as set out on pages 74 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Recognition of revenue from construction business</td></tr>
<tr><td>We identified the recognition of revenue from construction business as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole.

As disclosed in note 5 to the consolidated financial statements, the Group has recognised revenue from construction business amounting to MOP724,576,000 for the year ended 31 December 2022. As set out in note 4 to the consolidated financial statements, the Group recognises revenue from construction works by reference to the progress towards complete satisfaction of relevant performance obligation using output method.</td><td>Our procedures in relation to the recognition of revenue from construction business, we performed the following procedures, on a sample basis:

• Obtaining an understanding of the control over recognition of revenue from construction business;

• Agreeing the contract sum and variation orders to respective signed contracts and the correspondence with customers;

• Discussing with the project managers to understand the status of completion of the relevant construction projects and the reasons for the change of budget contract value during the year;

• Challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales by inspecting the certificates issued by customers and comparing the progress with the budgeted timeline; and

• Evaluating the reasonableness of progress towards complete satisfaction of relevant performance obligation of construction contracts as at year end by obtaining the certificates issued by the independent quantity surveyors and performing site visits to the construction sites.</td></tr>
</table>

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period. At 31 December 2022, as set out in notes 16, 17 and 15 to the consolidated financial statements, the Group's net trade receivables and contract assets amounting to MOP549,199,000 and MOP84,312,000, and out of these trade receivables and contract assets of MOP246,004,000 and MOP6,198,000 were past due.	Our procedures in relation to the impairment assessment of trade receivables, trade-nature amounts due from related companies and contract assets included: • Testing the valuation and allocation of ECL: i. Perform inquiries of management about the Group's policy for calculating ECL and whether there have been any changes from the prior year; ii. Obtain the Group's calculation of ECL and reconcile to the general ledger; iii. Perform the retrospective analysis to update our risk assessment conclusion regarding appropriateness of the ECL policy; iv. Evaluation of external credit ratings to support the key assumptions underlying the estimate; and v. Test the mathematical accuracy of the calculations, and verify that the ECL has been calculated in accordance with the Group's policy.
Impairment assessment of trade receivables and contract assets	
As disclosed in note 26b to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on internal credit ratings for their debtors and are assessed for ECL individually. The Group recognised impairment losses of MOP1,553,000 for trade receivables and reversed MOP126,000 for contract assets, respectively. The Group's lifetime ECL on trade receivables and contract assets at 31 December 2022 amounted to MOP8,535,000 and MOP1,619,000, respectively.	• Evaluating the method of measurement, including: i. Whether the model is suitable for estimating the ECL, this will include understanding the model methodology and logic which will be based on the review and understanding of model documentation; ii. Whether the model and how it is intended to be used are adequately documented, including the model's intended applications, known limitations, key parameters, required inputs, and description of any validation analysis performed; and iii. Review of the model's performance, comparing the model output to the actual default rates and incurred losses.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Revenue	5	**1,341,916**	911,982
Cost of services		**(1,201,370)**	(738,545)
Gross profit		**140,546**	173,437
Other income and loss	6	**1,697**	1,662
Impairment losses under expected credit loss model, net of reversal	26b	**(1,174)**	(1,071)
Administrative expenses		**(43,904)**	(34,716)
Share of results of associates		**6,128**	5,192
Finance costs		**(756)**	–
Profit before tax		**102,537**	144,504
Income tax expense	10	**(10,870)**	(18,038)
Profit for the year	7	**91,667**	126,466
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		**(15,687)**	377
Total comprehensive income for the year		**75,980**	126,843
Profit for the year attributable to:			
Owners of the Company		**81,344**	126,466
Non-controlling interests		**10,323**	–
		91,667	126,466
Total comprehensive income for the year attributable to:			
Owners of the Company		**71,436**	126,843
Non-controlling interests		**4,544**	–
		75,980	126,843
Basic earnings per share (MOP cents)	11	**3.05**	4.72*
Diluted earnings per share (MOP cents)	11	**3.05**	4.72*

* The earnings per share of the Group for the year ended 31 December 2021 was adjusted and restated for the bonus shares in June 2022.

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Non-current assets			
Property, plant and equipment	12	**113,261**	53,260
Interests in associates	13	**13,875**	7,747
		127,136	61,007
Current assets			
Inventories	14	**12,848**	–
Contract assets	15	**84,312**	94,460
Trade and other receivables	16	**652,243**	256,423
Amounts due from related companies	17	**9,729**	14,930
Pledged bank deposits	18	**34,370**	31,158
Fixed bank deposits	18	**–**	45,358
Cash and cash equivalents	18	**74,795**	179,451
		868,297	621,780
Current liabilities			
Amounts due to related companies	17	**267**	1,258
Trade payables and accrued charges	19	**403,095**	209,332
Tax liabilities		**18,032**	24,669
Bank borrowings	20	**90,640**	–
		512,034	235,259
Net current assets		**356,263**	386,521
Net assets		**483,399**	447,528
Capital and reserves			
Share capital	21	**27,440**	18,358
Reserves		**369,203**	429,170
Non-controlling interests		**86,756**	–
Total equity		**483,399**	447,528

The consolidated financial statements on pages 74 to 143 were approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

Kuok Lam Sek
DIRECTOR

Sou Kun Tou
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital MOP'000	Share premium MOP'000	Share options reserve MOP'000	Legal reserve MOP'000 *(note a)*	Other reserve MOP'000 *(note b)*	Translation reserve MOP'000	Retained earnings MOP'000	Sub-total MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2021	12,295	419,748	623	45	(147,114)	–	153,435	439,032	–	439,032
Profit for the year	–	–	–	–	–	–	126,466	126,466	–	126,466
Other comprehensive income for the year	–	–	–	–	–	377	–	377	–	377
Total comprehensive income for the year	–	–	–	–	–	377	126,466	126,843	–	126,843
Shares repurchased and cancelled	(81)	(31,315)	–	–	–	–	–	(31,396)	–	(31,396)
Exercise of share options	8	2,097	(623)	–	–	–	–	1,482	–	1,482
Transaction costs attributable to exercise of share options	–	(9)	–	–	–	–	–	(9)	–	(9)
Bonus issue of shares	6,136	(6,136)	–	–	–	–	–	–	–	–
Transaction costs attributable to issue of bonus shares	–	(108)	–	–	–	–	–	(108)	–	(108)
Dividends paid *(note 9)*	–	–	–	–	–	–	(88,316)	(88,316)	–	(88,316)
At 31 December 2021	**18,358**	**384,277**	**–**	**45**	**(147,114)**	**377**	**191,585**	**447,528**	**–**	**447,528**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**81,344**	**81,344**	**10,323**	**91,667**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(9,908)**	**–**	**(9,908)**	**(5,779)**	**(15,687)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(9,908)**	**81,344**	**71,436**	**4,544**	**75,980**
Shares repurchased and cancelled	**(97)**	**(19,893)**	**–**	**–**	**–**	**–**	**–**	**(19,990)**	**–**	**(19,990)**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**82,212**	**82,212**
Bonus issue of shares	**9,178**	**(9,178)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transaction costs attributable to issue of bonus shares	**–**	**(108)**	**–**	**–**	**–**	**–**	**–**	**(108)**	**–**	**(108)**
Exercise of bonus warrants	**1**	**283**	**–**	**–**	**–**	**–**	**–**	**284**	**–**	**284**
Transaction costs attributable to exercise of bonus warrants	**–**	**(635)**	**–**	**–**	**–**	**–**	**–**	**(635)**	**–**	**(635)**
Dividends paid *(note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**(101,872)**	**(101,872)**	**–**	**(101,872)**
At 31 December 2022	**27,440**	**354,746**	**–**	**45**	**(147,114)**	**(9,531)**	**171,057**	**396,643**	**86,756**	**483,399**

Note a: In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau Special Administrative Region ("Macau") is required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meets 50% of its registered capital. The reserve is not distributable to shareholders.

Note b: Other reserve represents the difference between the aggregate share capital of MOP90,000 of EHY Construction and Engineering Company Limited ("EHY") and Sun Hung Yip Engineering Construction Company Limited ("SHY") and the consideration of MOP147,204,000 satisfied by way of issue of shares by the Company for the acquisition of EHY and SHY by MECOM EHY Limited ("MECOM EHY") and MECOM Sun Hung Yip Limited ("MECOM Sun Hung Yip") respectively, pursuant to the reorganisation which was completed on 31 May 2017 in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 MOP'000	2021 MOP'000
OPERATING ACTIVITIES		
Profit before tax	102,537	144,504
Adjustments for:		
Finance costs	756	–
Bank interest income	(1,328)	(1,763)
Share of results of associates	(6,128)	(5,192)
Depreciation of property, plant and equipment	6,511	7,232
Impairment losses under expected credit loss model, net of reversal	1,174	1,071
Loss on disposal of property, plant and equipment	17	–
Operating cash flows before movements in working capital	103,539	145,852
Increase in inventories	(12,848)	–
Increase in trade and other receivables	(397,239)	(37,693)
Decrease in amounts due from related companies	8,984	10,659
Decrease (increase) in contract assets	10,274	(16,358)
Increase in trade payables and accrued charges	193,763	54,215
Decrease in amounts due to related companies	–	(2,594)
Cash (used in) generated from operations	(93,527)	154,081
Income tax paid	(17,507)	(7,028)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(111,034)	147,053
INVESTING ACTIVITIES		
Acquisition of an associate	–	(1,500)
Purchases of property, plant and equipment	(68,815)	(9,430)
Advances to related companies	(38,488)	(26,737)
Repayments from related companies	34,958	26,100
Placement of pledged bank deposits	(4,922)	(20,846)
Withdrawal of pledged bank deposits	1,710	46,826
Interest received	1,194	1,632
Placement of fixed bank deposits	(324)	(47,982)
Withdrawal of fixed bank deposits	45,682	25,307
NET CASH USED IN INVESTING ACTIVITIES	(29,005)	(6,630)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 MOP'000	2021 MOP'000
FINANCING ACTIVITIES		
Advances from related companies	**4,256**	5,476
Repayment to related companies	**(5,247)**	(4,409)
New bank borrowings raised	**142,140**	–
Repayment of bank borrowings	**(51,500)**	–
Interest paid for bank borrowings	**(756)**	–
Dividends paid	**(101,872)**	(88,316)
Capital contribution from non-controlling shareholders of subsidiaries	**82,212**	–
Proceeds from exercise of share options	**–**	1,482
Transaction costs attributable to exercise of share options	**–**	(9)
Proceeds from exercise of bonus warrants	**284**	–
Transaction costs attributable to issue of bonus warrants	**(635)**	–
Transaction costs attributable to issue of bonus shares	**(108)**	(108)
Payment on shares repurchased and cancelled	**(19,990)**	(28,061)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**48,784**	(113,945)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(91,255)**	26,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**179,451**	152,663
Effect of foreign exchange rate changes	**(13,401)**	310
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**74,795**	179,451

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

MECOM Power and Construction Limited (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 (together with the Company referred to as the "Group") are principally engaged in the construction and electric vehicle ("EV") businesses. During the year, the Group diversified its existing businesses by entering into the steel structures business. Details of these businesses are set out in note 5.

The consolidated financial statements are presented in Macanese Pataca ("MOP") which is also the functional currency of the Company.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the 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 year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contract[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

    (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS IFRSs *(Continued)*

New and amendments to IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 *Definition of Accounting Estimates* is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investment in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional (i.e. retention money). It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For construction contracts that contain variable consideration such as variations in contract work, claims and incentive payment, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transactions price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. MOP) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of rental premises, machineries and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to the fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications *(Continued)*

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants relate to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to directors of the Company and employees of the Group

Equity-settled share-based payments to directors of the Company and employees of the Group are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to directors of the Company and employees of the Group *(Continued)*

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees measured at the fair value of the goods or service received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services. The fair values of the goods or services received are recognised as expenses.

Employee benefits

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service, entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than freehold lands and construction in progress. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables (including trade-nature amounts due from related companies) arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset of financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related companies, pledged bank deposits, fixed bank deposits and bank balances) and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, trade-nature amounts due from related companies and contract assets. The financial assets are assessed for ECL individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, trade-nature amounts due from related companies, and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, retention payables and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Measurement of value of construction works under construction business

The management measures the value of completed construction works based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction works transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contract. Management estimates the revenue and budgeted costs at the commencement of the construction contracts and regularly assesses the progress of construction works. The construction works performed by the Group would also be certified by the independent quantity surveyors periodically according to the construction contracts.

The Group regularly reviews and revises the estimation of contract revenue prepared for each construction works as the contract progresses based on the internal construction progress assessment and the certification issued by the independent quantity surveyors or customers. During the year ended 31 December 2022, the total construction revenue and cost of services under measurement of value of construction works are MOP724,576,000 (2021: MOP911,907,000) and MOP622,392,000 (2021: MOP736,926,000) respectively.

Provision of ECL for trade receivables, trade-nature amounts due from related companies and contract assets

The Group accesses ECL for all trade receivables, trade-nature amounts due from related companies and contract assets individually. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, trade-nature amounts due from related companies and contract assets are disclosed in notes 26b, 16, 17 and 15, respectively.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the current year, the Group has diversified its existing business by entry into the steel structures business, and it is considered as a new operating and reportable segment by the CODM. 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, electrical and mechanical ("E&M") engineering services works, and provision of facilities management services.

(2) EV business – the provision of EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

(3) Steel structures business – the sale 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(i) Disaggregation of revenue from contracts with customers

	2022 MOP'000	2021 MOP'000
Construction business		
Construction and fitting out works	**448,165**	636,088
High voltage power substation construction and its system installation works	**27,424**	16,497
E&M engineering services works	**165,497**	189,116
Facilities management services	**83,490**	70,206
	724,576	911,907
EV business		
Sale of EV charging systems	**677**	46
Subscription fee income	**542**	29
	1,219	75
Steel structures business		
Sale and processing of metal materials	**616,121**	–
	1,341,916	911,982
Timing of revenue recognition		
A point in time	**616,798**	46
Over time	**725,118**	911,936
	1,341,916	911,982

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information

Segment results represent the profit before tax resulted from each segment without allocation of certain 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.

Year ended 31 December 2022

	Construction business MOP'000	EV business MOP'000	Steel structures business MOP'000	Total 2022 MOP'000
Revenue from external customers	724,576	1,219	616,121	1,341,916
Intersegment revenue	248	–	–	248
	724,824	1,219	616,121	1,342,164
Elimination of intersegment revenue				(248)
Total revenue				1,341,916
Segment results	78,290	(5,511)	29,279	102,058
Unallocated other income				89
Central administration costs				(5,738)
Share of results of associates				6,128
Profit before tax				102,537

Year ended 31 December 2021

	Construction business MOP'000	EV business MOP'000	Total 2021 MOP'000
Revenue from external customers	911,907	75	911,982
Segment results	147,877	(4,426)	143,451
Unallocated other income			5
Central administration costs			(4,144)
Share of results of associates			5,192
Profit before tax			144,504

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iii) Performance obligations for contracts with customers

Construction business – construction works

The Group provides services on (1) construction and fitting out works; (2) high voltage power substation construction and its system installation works to customers; and (3) E&M engineering services. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction contracts by reference to the progress towards complete satisfaction of relevant performance obligation using output method.

The Group's construction works 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 range from 10% to 30% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction contracts are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iii) Performance obligations for contracts with customers *(Continued)*

Construction business – facilities management services

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

The Group provides such services as a fixed-price contract, with contract terms generally ranging from less than one year to five years. Revenue from fixed price contracts for delivering such services is recognised over time, when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised using a straight-line basis over the term of the contract.

EV business

The Group provides EV related services, including but not limited to (i) provision of EV charging services including sale of EV charging systems and provision of EV charging facilities for subscription fee; (ii) distribution of EVs; (iii) design, production, sales and marketing of EVs and EV charging systems; (iv) manufacturing and production of battery packs; and (v) provision of EV charging/swapping solutions.

The Group recognises revenue from sale of EV charging systems at a point in time when the customer obtains control of the distinct good. Subscription fee income is recognised as a fixed-price contract, with contract terms generally ranging from less than one year to seven years. Revenue from fixed price contracts for delivering such services is recognised over time, when the customers simultaneously receive and consume the benefits from the Group's performance. Such services are recognised using a straight-line basis over the term of the contract.

Steel structures business

The Group steel structures business involves sale and processing of metal materials. The Group recognises revenue at a point in time when control of the goods has transferred, being when the goods have been shipped to the delivery location. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. The normal credit term is 30 to 60 days upon delivery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2022

	Construction and fitting out works MOP'000	High voltage power substation construction and its system installation works MOP'000	E&M engineering services MOP'000	Facilities management services MOP'000	Subscription fee income MOP'000	Sale and processing of metal materials MOP'000	Total MOP'000
Within one year	245,963	62,470	220,509	96,916	93	434,751	1,060,702
More than one year but not more than two years	–	45,915	–	66,975	93	53,525	166,508
More than two years	–	–	–	4,175	384	–	4,559
	245,963	108,385	220,509	168,066	570	488,276	1,231,769

At 31 December 2021

	Construction and fitting out works MOP'000	High voltage power substation construction and its system installation works MOP'000	E&M engineering services MOP'000	Facilities management services MOP'000	Subscription fee income MOP'000	Total MOP'000
Within one year	431,903	89,463	143,091	66,290	46	730,793
More than one year but not more than two years	36,044	45,915	8,360	29,917	46	120,282
More than two years	–	–	–	22,590	211	22,801
	467,947	135,378	151,451	118,797	303	873,876

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(v) 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		Non-current assets	
	2022	2021	**2022**	2021
	MOP'000	MOP'000	**MOP'000**	MOP'000
Macau	**1,205,124**	911,954	**60,333**	56,918
The PRC	**136,792**	2	**66,803**	4,089
Hong Kong	**–**	26	**–**	–
	1,341,916	911,982	**127,136**	61,007

(vi) Information about major customers

Revenue from customers in respect of construction business, EV business and steel structures business contributing over 10% of the total revenue of the Group is as follows:

	2022	2021
	MOP'000	MOP'000
Customer A	**476,651**	643,568

6. OTHER INCOME AND LOSS

	2022	2021
	MOP'000	MOP'000
Bank interest income	**1,328**	1,763
Government grants *(note)*	**89**	–
Other income	**35**	457
Exchange gain (loss)	**245**	(558)
	1,697	1,662

Note: During the year ended 31 December 2022, the Group recognised government grants of Hong Kong dollars ("HK$") 86,000 (equivalent to MOP89,000) in respect of Covid-19 related Subsidy for Business and Employment Support Scheme provided by the Hong Kong government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. PROFIT FOR THE YEAR

	2022 MOP'000	2021 MOP'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 8)*	**8,867**	8,885
Other staff costs:		
Salaries and other allowances	**108,330**	92,112
Retirement benefit scheme contributions	**1,112**	597
Total staff costs	**118,309**	101,594
Less: amounts included in cost of services	**(96,463)**	(81,137)
	21,846	20,457
Auditor's remuneration	**2,498**	2,415
Depreciation of property, plant and equipment	**6,511**	7,232
Loss on disposal of property, plant and equipment	**17**	–
Legal and professional fees	**1,704**	1,305
Expense and cash outflow relating to short-term leases *(note)*	**9,659**	4,839

Note: The Group regularly entered into short-term leases for rental premises, machineries and equipment. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2022

	Fee MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors *(note 1):*				
Mr. Kuok Lam Sek ("Mr. Kuok")	–	4,158	1	4,159
Mr. Sou Kun Tou ("Mr. Sou")	–	4,158	1	4,159
	–	8,316	2	8,318
Independent non-executive directors *(note 2)*:				
Ms. Chan Po Yi, Pasty	183	–	–	183
Mr. Cheung Kiu Cho, Vincent	183	–	–	183
Mr. Lio Weng Tong	183	–	–	183
	549	–	–	549
	549	8,316	2	8,867

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors *(Continued)*

Year ended 31 December 2021

	Fee MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors *(note 1)*:				
Mr. Kuok Lam Sek ("Mr. Kuok")	–	4,200	1	4,201
Mr. Sou Kun Tou ("Mr. Sou")	–	4,200	1	4,201
	–	8,400	2	8,402
Independent non-executive directors *(note 2)*:				
Ms. Chan Po Yi, Pasty	161	–	–	161
Mr. Cheung Kiu Cho, Vincent	161	–	–	161
Mr. Lio Weng Tong	161	–	–	161
	483	–	–	483
	483	8,400	2	8,885

Notes:

(1) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Sou serves as the Chief Executive Officer of the Group.

(2) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid employees of the Group during the year included two directors (2021: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 MOP'000	2021 MOP'000
Salaries and other allowances	**6,653**	6,720
Discretionary bonus *(note)*	**–**	200
Retirement benefit scheme contributions	**2**	2
	6,655	6,922

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2022 Number of employees	2021 Number of employees
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**2**	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9. DIVIDENDS

	2022 MOP'000	2021 MOP'000
2022 Interim – HK$1.5 cents (equivalent to MOP 1.55 cents) per share (2021: 2021 Interim – HK$2.8 cents (equivalent to MOP 2.88 cents))	**41,299**	51,499
2021 Final – HK$3.3 cents (equivalent to MOP 3.40 cents) per share (2021: 2020 Final – HK$3.0 cents (equivalent to MOP 3.09 cents))	**60,573**	36,817
	101,872	88,316

Subsequent to the end of the reporting period of 2021, the board of directors (the "Board") has recommended a final dividend of HK$3.3 cents per share, totalling HK$58,809,000 (equivalent to MOP60,573,000), for the year ended 31 December 2021, to the shareholders of the Company (the "Shareholders"). The payment of the final dividend was approved at the annual general meeting (the "AGM") of the Company on 30 May 2022.

Subsequent to the end of the reporting period of 2022, the Board has recommended a bonus issue of shares on the basis of one new share with a par value of HK$0.01 each of the Company ("Shares", each a "Share") credited as fully paid for every two existing Shares held by the Shareholders, subject to the Shareholders' approval at the AGM.

10. INCOME TAX EXPENSE

	2022 MOP'000	2021 MOP'000
Current tax		
– Macau Complementary Tax	**12,566**	17,934
– PRC Enterprise Income Tax	**57**	–
(Over) under-provision in prior years	**(1,753)**	104
	10,870	18,038

The Company was incorporated in the Cayman Islands and is exempted from income tax. No provision for taxation in Hong Kong has been made as losses are resulted for subsidiaries operating in these jurisdictions.

The Group is subject to Macau Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 for both years. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **MOP'000**	2021 MOP'000
Profit before tax	**102,537**	144,504
Tax charge at Macau Complementary Tax rate of 12%	**12,304**	17,340
Tax effect of expenses not deductible for tax purpose	**963**	830
Tax effect of income not taxable for tax purpose	**(993)**	(624)
Tax effect of tax losses not recognised	**1,143**	532
(Over) under-provision in prior years	**(1,753)**	104
Special complementary tax incentive	**(216)**	(144)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(578)**	–
Income tax expense for the year	**10,870**	18,038

At the end of the reporting period, the Group has unused tax losses of MOP9,931,000 (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 MOP9,920,000 (2021: MOP4,422,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2022 **MOP'000**	2021 MOP'000
2024	**3,048**	3,048
2025	**1,787**	–
2026	**1,374**	1,374
2027	**3,711**	–
	9,920	4,422

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. EARNINGS PER SHARE

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

	2022 MOP'000	2021 MOP'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**81,344**	126,466
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,671,051**	2,681,213
Effect of dilutive potential ordinary shares – Options	**–**	196
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,671,051**	2,681,409

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue of shares completed on 29 June 2022. As such, basic earnings per share for the year ended 31 December 2021 have been restated.

The computation of diluted earnings per share does not assume the exercise from the Company's outstanding bonus warrants as the exercise price of those bonus warrants was higher than the average market price of the Company's shares for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles MOP'000	Plant and machinery MOP'000	Office equipment MOP'000	Computer equipment MOP'000	Leasehold land and building MOP'000	Construction in progress MOP'000	Total MOP'000
COST							
At 1 January 2021	2,804	33,530	160	1,207	42,891	–	80,592
Additions	466	7,292	84	499	1,089	–	9,430
Exchange difference	2	67	–	–	–	–	69
Disposals	(221)	–	–	–	–	–	(221)
At 31 December 2021	3,051	40,889	244	1,706	43,980	–	89,870
Additions	–	7,606	240	392	50,982	9,595	68,815
Exchange difference	(8)	(544)	(7)	(1)	(1,540)	(290)	(2,390)
Disposals	–	(18)	–	–	–	–	(18)
At 31 December 2022	3,043	47,933	477	2,097	93,422	9,305	156,277
DEPRECIATION							
At 1 January 2021	2,557	24,788	117	419	1,716	–	29,597
Provided for the year	176	5,930	26	220	880	–	7,232
Exchange difference	–	2	–	–	–	–	2
Eliminated upon disposals	(221)	–	–	–	–	–	(221)
At 31 December 2021	2,512	30,720	143	639	2,596	–	36,610
Provided for the year	210	4,538	87	285	1,391	–	6,511
Exchange difference	(1)	(86)	(2)	–	(15)	–	(104)
Eliminated upon disposals	–	(1)	–	–	–	–	(1)
At 31 December 2022	2,721	35,171	228	924	3,972	–	43,016
CARRYING VALUES							
At 31 December 2022	322	12,762	249	1,173	89,450	9,305	113,261
At 31 December 2021	539	10,169	101	1,067	41,384	–	53,260

The property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual values, as follows:

Motor vehicles	20%
Plant and machinery	20% – $33^1/_3$%
Office equipment	20%
Computer equipment	20%
Leasehold land and building	2%

The leasehold land and building is located in Macau under long-term lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. INTERESTS IN ASSOCIATES

	2022 MOP'000	2021 MOP'000
Cost of unlisted investment in an associate	**1,500**	1,500
Share of post-acquisition profits and other comprehensive income	**12,375**	6,247
	13,875	7,747

Details of the Group's associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principle activities
			2022	2021	**2022**	2021	
China Construction (Macau) - EHY Joint Venture ("CCM – EHY JV")	Macau	Macau	**25%**	25%	**25%**	25%	Construction works and civil engineering
China State Construction (Hong Kong) - China Construction (Macau)- EHY Joint Venture ("CSHK – CCM – EHY JV")	Macau	Macau	**25%**	25%	**25%**	25%	Construction works and civil engineering
Moreira Dos Santos Mobilidade Eléctrica Eléctrica Lda. ("MS E. Mobi")	Macau	Macau	**49%**	49%	**49%**	49%	Provision of EV services

Summarised financial information of the associates

Summarised financial information in respect of CCM – EHY JV, CSHK – CCM – EHY JV and MS E. Mobi are set out below. The summarised financial information below represents amount shown in the associates' financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

CCM – EHY JV

	2022 MOP'000	2021 MOP'000
Current and total assets	**2,309**	11,104
Current and total liabilities	**(395)**	(9,261)
Revenue	**–**	–
Profit (loss) for the year	**72**	(217)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 MOP'000	2021 MOP'000
Net assets of CCM – EHY JV	**1,914**	1,843
Proportion of the Group's ownership interest in CCM – EHY JV	**25%**	25%
The Group's share of net assets of CCM – EHY JV and carrying amount of Group's interest in CCM – EHY JV	**479**	461

CSHK – CCM – EHY JV

	2022 MOP'000	2021 MOP'000
Current and total assets	**761,187**	1,608,690
Current and total liabilities	**(713,599)**	(1,585,722)
Revenue	**2,107,426**	3,370,105
Profit for the year	**24,619**	20,810

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

CSHK – CCM – EHY JV (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 MOP'000	2021 MOP'000
Net assets of CSHK – CCM – EHY JV	47,588	22,968
Proportion of the Group's ownership interest in CSHK – CCM – EHY JV	25%	25%
The Group's share of net assets of CSHK – CCM – EHY JV and carrying amount of Group's interest in CSHK – CCM – EHY JV	11,897	5,742

MS E. Mobi

	2022 MOP'000	2021 MOP'000
Non-current assets	2,033	2,059
Current assets	367	577
Current and total liabilities	(230)	(374)
Revenue	1,112	1,204
(Loss) profit for the year	(90)	89

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 MOP'000	2021 MOP'000
Net assets of MS E. Mobi	2,170	2,262
Proportion of the Group's ownership interest in MS E. Mobi	49%	49%
The Group's share of net assets of MS E. Mobi	1,063	1,108
Goodwill	436	436
Carrying amount of Group's interest in MS E. Mobi	1,499	1,544

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For the year ended 31 December 2022

14. INVENTORIES

The inventories represent finished goods from the steel structures business and are stated at the lower of cost or net realisable value. No write-down of inventories was recognised for the year ended 31 December 2022.

15. CONTRACT ASSETS

	2022 MOP'000	2021 MOP'000
Contract assets from contract with customers	85,931	96,205
Less: Allowance for credit losses *(note 26b)*	(1,619)	(1,745)
	84,312	94,460

	2022 MOP'000	2021 MOP'000
Represented by:		
Construction and fitting out works	70,024	80,252
High voltage power substation construction and its system installation works	2,491	2,491
E&M engineering services works	11,266	11,186
Facilities management services	531	531
	84,312	94,460

	2022 MOP'000	2021 MOP'000
Analysed as current		
Unbilled revenue	–	5,673
Retention receivables	84,312	88,787
	84,312	94,460

At 1 January 2021, contract assets amounted to MOP77,369,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. CONTRACT ASSETS *(Continued)*

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

Construction business – construction works

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 work 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 asset to trade receivables when defect liability period expires and certificate of making good defects is obtained.

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

At 31 December 2022, retention money held by customers for contract works amounted to MOP84,312,000 (2021: MOP88,787,000), of which MOP2,324,000 (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.

	2022 MOP'000	2021 MOP'000
Within one year	**6,331**	8,329
After one year	**77,981**	80,458
	84,312	88,787

At 31 December 2022, included in the Group's contract assets are retention money with a carrying amount of MOP6,198,000 (2021: MOP2,893,000), which are past due but not impaired as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

Details of the impairment assessment of contract assets are set out in note 26b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. TRADE AND OTHER RECEIVABLES

	2022 MOP'000	2021 MOP'000
Trade receivables from contracts with customers	**557,734**	234,763
Less: allowance for credit losses (note 26b)	**(8,535)**	(6,982)
	549,199	227,781
Other receivables, deposits and prepayments		
– Deposits	**912**	1,258
– Prepayments	**79,036**	24,251
– Others	**23,096**	3,133
	652,243	256,423

At 1 January 2021, trade receivables from contracts with customers amounted to MOP212,367,000.

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:

	2022 MOP'000	2021 MOP'000
0 – 90 days	**448,019**	214,907
91 – 365 days	**97,995**	11,270
1 – 2 years	**2,761**	300
Over 2 years	**424**	1,304
	549,199	227,781

At 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of MOP246,004,000 (2021: MOP28,160,000) which are past due as at the reporting date. Out of the past due balances, MOP89,865,000 (2021: MOP5,329,000) has been past due more than 90 days and is not considered as in default. Majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to their respective settlement history and forward-looking information. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 26b.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. AMOUNTS WITH RELATED COMPANIES

			Maximum amount outstanding during	
	2022 MOP'000	2021 MOP'000	2022 MOP'000	2021 MOP'000
Amounts due from related companies				
Non-trade nature				
ACEL Engineering Company Limited *(note a)*	3,141	2,971	3,142	2,971
CSHK-CCM-EHY JV	3,360	–	3,360	–
	6,501	2,971		
Trade nature				
CCM – EHY JV	–	8,634		
CSHK – CCM – EHY JV	3,270	3,269		
MS E. Mobi	–	351		
	3,270	12,254		
Less: allowance for credit losses *(note 26b)*	(42)	(295)		
	3,228	11,959		
	9,729	14,930		

At 1 January 2021, amounts due from related companies (trade receivables) amounted to MOP20,506,000.

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.

	2022 MOP'000	2021 MOP'000
0 – 90 days	–	342
91 – 365 days	–	11,617
1 – 2 years	3,228	–
	3,228	11,959

At 31 December 2022, included in the Group's amounts due from related companies (trade nature) are receivables with a carrying amount of MOP3,228,000 (2021: MOP11,736,000) which are past due as at the reporting date and is not considered as in default. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

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17. AMOUNTS WITH RELATED COMPANIES *(Continued)*

Details of impairment assessment of trade-nature amounts due from related companies are set out in note 26b.

	2022 MOP'000	2021 MOP'000
Amounts due to related companies		
Non-trade nature		
Lei Hong Engineering Limited *(note a)*	197	252
Sisint Engenharia Lda *(note b)*	70	–
CSHK-CCM-EHY JV	–	1,006
	267	1,258

As at the end of the reporting period, the non-trade amounts with related companies are unsecured, interest-free and repayable on demand.

Notes:

(a) Mr. Kuok and Mr. Sou have beneficial interests over the related companies.

(b) Mr. Pedro Mereira dos Santoa, who holds 51% shareholding in MS E. Mobi, an associate of the Group, has beneficial interests over the related company.

18. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2022 MOP'000	2021 MOP'000
Pledged bank deposits	34,370	31,158
Fixed bank deposits	–	45,358
Bank balances and cash	74,795	179,451

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. At 31 December 2022, the pledged bank deposits carried interest rate range of 0.21%-1.95% (2021: 0.525% – 1.5%) per annum and with an original maturity of three months to six months.

At 31 December 2021, the fixed bank deposits carried interest rate of 1.2% – 1.75% per annum and with an original maturity of three months to six months and bank balances carried interest at prevailing market rates of 0.001% – 0.3% per annum.

Details of impairment assessment of pledged bank deposits, fixed bank deposits and bank balances are set out in note 26b.

Notes to the Consolidated Financial Statements

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19. TRADE PAYABLES AND ACCRUED CHARGES

	2022 MOP'000	2021 MOP'000
Trade payables	**226,241**	68,742
Retention payables	**28,269**	33,033
Other payables and accrued charges		
– Accrued staff costs	**12,379**	15,164
– Accrued construction costs	**78,248**	71,303
– Receipt in advance	**41,733**	13,674
– Other accruals	**16,225**	7,416
	403,095	209,332

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:

	2022 MOP'000	2021 MOP'000
0 – 90 days	**111,462**	68,526
91 – 365 days	**114,779**	216
	226,241	68,742

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.

	2022 MOP'000	2021 MOP'000
On demand or within one year	**1,247**	477
After one year	**27,022**	32,556
	28,269	33,033

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20. BANK BORROWINGS

	2022	2021
	MOP'000	MOP'000
Bank loans		
– unsecured and repayable within one year	**90,640**	–

At 31 December 2022, the bank borrowings bear interest at Prime Rate less 1.75% to 2% (2021: nil).

21. SHARE CAPITAL

	Number of shares	**Amount**
		MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 2022	5,000,000,000	51,500

	Number of shares	**Amount**
		MOP'000
Issued and fully paid:		
At 1 January 2021	1,193,642,000	12,295
Shares repurchased and cancelled *(note a)*	(7,836,000)	(81)
Exercise of share options *(note 22)*	800,000	8
Bonus issue of shares *(note c)*	595,741,000	6,136
At 31 December 2021	1,782,347,000	18,358
Shares repurchased and cancelled *(note b)*	(9,384,000)	(97)
Exercise of bonus warrants *(note d)*	61,700	1
Bonus issue of shares *(note e)*	891,039,150	9,178
At 31 December 2022	**2,664,063,850**	**27,440**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

21. SHARE CAPITAL *(Continued)*

Notes:

(a) The Company repurchased 250,000, 2,380,000, 330,000, 1,548,000, 1,408,000, 1,346,000, 150,000 and 424,000 shares of the Company in March, April, May, July, September, October, November and December 2021 for an aggregate consideration paid of approximately HK$1,136,000 (equivalent to MOP1,170,000), HK$10,664,000 (equivalent to MOP10,984,000), HK$1,443,000 (equivalent to MOP1,486,000), HK$5,676,000 (equivalent to MOP5,846,000), HK$4,888,000 (equivalent to MOP5,034,000), HK$4,689,000 (equivalent to MOP4,830,000), HK$528,000 (equivalent to MOP544,000) and HK$1,458,000 (equivalent to MOP1,502,000) and cancelled those shares in May, July, October, November and December 2021. Part of the consideration amounting to MOP3,335,000 were settled by deposits included under other receivables as at 31 December 2020.

(b) The Company repurchased 100,000, 230,000, 8,732,000 and 322,000 shares of the Company in January, March, September and October 2022 for an aggregate consideration of approximately HK$371,000 (equivalent to MOP382,000), HK$830,000 (equivalent to MOP855,000), HK$17,651,000 (equivalent to MOP18,181,000) and HK$555,000 (equivalent to MOP572,000), respectively, and cancelled those shares in February, April, September, October and November 2022.

(c) The Board recommended a bonus issue of 595,741,000 new shares to the existing shareholders 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.

(d) The bonus 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. As at 31 December 2022, 61,700 warrants have been exercised at a total consideration of approximately MOP284,000.

(e) The Board recommended a bonus issue of 891,039,150 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.

(f) For the year ended 31 December 2022, the Board proposes a bonus issue warrants (the "2024 Warrants") to the qualifying Shareholders on the basis of one 2024 Warrant for every ten Shares held on 18 May 2023, the record date for the ascertaining the entitlements of Shareholders to the issue of the 2024 Warrants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

21. SHARE CAPITAL *(Continued)*

During the current year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Consideration paid HK$'000
January 2022	**100,000**	**3.66**	**3.64**	**371**
March 2022	**230,000**	**3.58**	**3.56**	**830**
September 2022	**8,732,000**	**2.14**	**1.78**	**17,651**
October 2022	**322,000**	**1.89**	**1.55**	**555**
	9,384,000			**19,407**

During the year ended 31 December 2021, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
March 2021	250,000	4.55	4.45	1,136
April 2021	2,380,000	4.73	4.17	10,664
May 2021	330,000	4.40	4.30	1,443
July 2021	1,548,000	3.83	3.55	5,676
September 2021	1,408,000	3.63	3.30	4,888
October 2021	1,346,000	3.66	3.32	4,689
November 2021	150,000	3.52	3.36	528
December 2021	424,000	3.52	3.32	1,458
	7,836,000			30,482

The above ordinary shares were cancelled following repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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22. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme on 23 January 2018 ("Share Option Scheme"). The purpose of the Share Option Scheme is to provide employees, directors, advisers, consultants, suppliers, customers and distributors of the Group ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants. The Share Option Scheme became effective on 13 February 2018 and, unless otherwise cancelled or amended, shall remain in force for 10 years from that date. As at the date of this report, the remaining life of the Share Option Scheme is approximately 4 years and 10 months.

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the Board provided that it shall be at least the highest of (a) the official closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the official closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of one share of the Company.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, and other schemes offered by the Company, as from the date of adoption of the Share Option Scheme, shall not exceed 10% of the shares in issue (i.e. 120,000,000 shares) on the listing date, representing approximately 4.50% of the total shares in issue as at the date of this annual report. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Share Option Scheme to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

The number of Options available for grant under the Share Option Scheme as at 1 January 2022 and 31 December 2022 was 118,100,000.

No share options were outstanding as at 31 December 2022 and 2021 and no share-based compensation expense was recognised for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Share Option Scheme during 2021:

			Number of the Options					
Type of participants	Exercisable period	Exercise price per share HK$	Outstanding at 1/1/2021	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at 31/12/2021
Directors	03/04/2018 - 02/04/2028	1.8	50,000	–	(50,000)	–	–	–
Employee	03/04/2018 - 02/04/2028	1.8	62,500	–	(62,500)	–	–	–
Consultant	03/04/2018 - 02/04/2028	1.8	12,500	–	(12,500)	–	–	–
Directors	03/04/2020 - 02/04/2028	1.8	50,000	–	(50,000)	–	–	–
Employee	03/04/2020 - 02/04/2028	1.8	62,500	–	(62,500)	–	–	–
Consultant	03/04/2020 - 02/04/2028	1.8	12,500	–	(12,500)	–	–	–
Directors	03/04/2021 - 02/04/2028	1.8	50,000	–	(50,000)	–	–	–
Employee	03/04/2021 - 02/04/2028	1.8	62,500	–	(62,500)	–	–	–
Consultant	03/04/2021 - 02/04/2028	1.8	12,500	–	(12,500)	–	–	–
Directors	03/04/2021 - 02/04/2028	1.8	100,000	–	(100,000)	–	–	–
Employee	03/04/2021 - 02/04/2028	1.8	62,500	–	(62,500)	–	–	–
Consultant	03/04/2021 - 02/04/2028	1.8	262,500	–	(262,500)	–	–	–
			800,000	–	(800,000)	–	–	–
Weighted average exercise price per share			HK$1.8	–	HK$1.8	–	–	–

Notes to the Consolidated Financial Statements

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23. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions with related parties during the year.

Name of related parties	Nature of transactions	2022 MOP'000	2021 MOP'000
Mr. Kuok and Ms. Wong Fong Peng (the spouse of Mr. Kuok)	Short-term office rental expenses	686	686
Chang Tsuo *(note a)*	Purchase of raw materials	–	31,577
廣東智匯技術發展有限公司 (Guangdong Zhihui Technology Development Co., Ltd.)* *(note b)*	Purchase of machinery	–	1,915
CCM – EHY JV *(note c)*	Construction contract income	–	206
CSHK – CCM – EHY JV *(note c)*	Construction contract income	–	15,473
	Management expense	2,568	4,323
MS E. Mobi *(note c)*	Construction contract income	283	351
Sisint Engenharia Lda *(note 17b)*	Consultancy expenses	840	700

Notes:

(a) Mr. Deng Jia Jun, an interest holder of a shareholder of the Company since 10 December 2019, has beneficial interests over the related company.

(b) Being the non-controlling shareholder of a subsidiary, 澳能智匯能源科技(廣州)有限公司 (MECOM Zhihui Energy Technology (Guangzhou) Co., Ltd)*.

(c) CCM – EHY JV, CSHK – CCM – EHY JV and MS E. Mobi are associates of the Group.

* the English translation of the companies' names is for reference only. The official name of these companies are in Chinese.

Compensation of key management personnel

The directors of the Company and senior management of the Group are identified as key management members of the Group. Their short-term benefits and post-employment benefits for the year ended 31 December 2022 are MOP14,029,000 (2021: MOP14,111,000) and MOP21,000 (2021: MOP21,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

24. CAPITAL COMMITMENTS

As at 31 December 2022, the Group had approximately MOP146,236,000 (2021: nil) capital commitments in respect of the construction works for setting up new manufacturing and research and development facilities at the site in Jiangmen, Guangdong Province, the PRC. This amount was contracted for but not provided in the consolidated financial statements.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debts, which includes the borrowings and amounts due to related companies, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts.

26. FINANCIAL INSTRUMENTS

26a. Categories of financial instruments

	2022 **MOP'000**	2021 MOP'000
Financial assets		
Amortised cost	**692,101**	503,069
Financial liabilities		
Amortised cost	**387,150**	116,707

26b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables and other receivables, amounts due from related companies, bank balances, fixed bank deposits and pledged bank deposits, trade and other payables, retention payables and amounts due to related companies. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currency. The Group is exposed to currency risk primarily through sales proceeds received from customers that are denominated in currencies other than the group entities' functional currency. The currency giving rise to this risk is primarily HK$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in HK$, and HK$ is pegged with MOP.

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

The Group's currency risk mainly arises from the pledged bank deposits, fixed bank deposits, bank balances and cash, trade and other receivables, amounts due from related companies, trade payables and retention payables denominated in HK$ and RMB, other than functional currency of the relevant group entities.

The carrying amounts of foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 MOP'000	2021 MOP'000	**2022 MOP'000**	2021 MOP'000
HK$	**446,736**	347,834	**311,155**	70,797

Sensitivity analysis

For the exposure to the fluctuation in HK$ against MOP, the directors of the Company are of opinion that such exposure is insignificant and no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and fixed bank deposits. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Prime Rate arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The directors of the Company consider that the overall interest rate risk is not significant and no sensitivity analysis is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, trade-nature amounts due from related companies and contract assets arising from contracts with customers

At 31 December 2022, the Group has concentration risk on trade receivables, trade-nature amounts due from related companies and contract assets from the Group's top five customers 55% (2021: 75%). The major customers of the Group are certain reputable organisations and the management of the Group considered that the credit risk is insignificant after considering their historical settlement and credit quality.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model upon application of IFRS 9 on other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on other receivables and non-trade nature amounts due from related companies is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change from the 12 months after the reporting date.

The credit risk on fixed bank deposits, pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables, non-trade nature amounts due from related companies, fixed bank deposits, pledged bank deposits and bank balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ trade-nature amounts due from related companies/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default or does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount MOP'000	2021 Gross carrying amount MOP'000
Contract assets	15	N/A	Note	Lifetime ECL (not credit-impaired)	85,931	96,205
Trade receivables	16	N/A	Note	Lifetime ECL (not credit-impaired)	557,734	234,763
Amounts due from related companies (trade-nature)	17	N/A	Note	Lifetime ECL (not credit-impaired)	3,270	12,254
Other receivables	16	N/A	Low risk	12m ECL	24,008	4,391
Amounts due from related companies (non-trade nature)	17	N/A	Low risk	12m ECL	6,501	2,971
Bank balances, fixed bank deposits and pledged bank deposits	18	Baa3 to Aaa	N/A	12m ECL	109,165	255,967

Note: For trade receivables, trade-nature amounts due from related companies and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected loss individually for each debtor.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables, trade-nature amounts due from related companies, and contract assets which are assessed individually at 31 December 2022.

	2022				2021			
Internal credit rating	Average loss rate	Trade receivables MOP'000	Trade-nature amounts due from related companies MOP'000	Contract assets MOP'000	Average loss rate	Trade receivables MOP'000	Trade-nature amounts due from related companies MOP'000	Contract assets MOP'000
Low risk	1.34%	146,859	3,270	14,387	2.06%	7,234	–	21,626
Watch list	1.36%	385,300	–	70,323	2.24%	193,890	12,254	73,358
Doubtful	6.72%	25,575	–	1,221	6.36%	33,639	–	1,221
		557,734	3,270	85,931		234,763	12,254	96,205

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group provided MOP1,174,000 (2021: MOP1,071,000) for impairment allowances for trade receivables, trade-nature amounts due from related companies and contract assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, trade-nature amounts due from related companies and contract assets under the simplified approach.

	Trade receivables		Trade-nature amounts due from related companies		Contracts assets		Total
	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired) MOP'000	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired) MOP'000	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired) MOP'000	MOP'000
As at 1 January 2021	3,066	–	2,407	–	2,478	–	7,951
Changes due to financial instruments recognised as at 1 January 2021:							
– Impairment losses recognised	2,186	–	–	–	117	–	2,303
– Impairment losses reversed	(3,057)	–	(2,407)	–	(2,478)	–	(7,942)
New financial assets originated	4,787	–	295	–	1,628	–	6,710
As at 31 December 2021	6,982	–	295	–	1,745	–	9,022
Changes due to financial instruments recognised as at 1 January 2022:							
– Transfer to credit-impaired	(271)	271	–	–	(447)	447	–
– Impairment losses recognised	1,760	–	42	–	86	–	1,888
– Impairment losses reversed	(6,711)	–	(295)	–	(1,298)	–	(8,304)
– Write-off	–	(271)	–	–	–	(447)	(718)
New financial assets originated	6,775	–	–	–	1,533	–	8,308
As at 31 December 2022	**8,535**	**–**	**42**	**–**	**1,619**	**–**	**10,196**

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26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Changes in the loss allowance for trade receivables are mainly due to:

	2022 (Decrease) increase in lifetime ECL		2021 Increase (decrease) in lifetime ECL	
	Not credit-impaired MOP'000	Credit-impaired MOP'000	Not credit-impaired MOP'000	Credit-impaired MOP'000
One trade debtor with a gross carrying amount of MOP271,000 (2021: nil) defaulted and transferred to credit-impaired	(271)	271	–	–
Additional impairment losses recognised with gross carrying amount of MOP28,801,000 (2021: MOP35,768,000)	1,760	–	2,186	–
Settlement in full of trade debtors with gross carrying amount of MOP205,691,000 (2021: MOP179,665,000)	(6,711)	–	(3,057)	–
New trade receivables with gross carrying amount of MOP528,933,000 (2021: MOP199,335,000)	6,775	–	4,787	–

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	After 1 year	Total undiscounted cash flows	Total carrying amount
	%	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 31 December 2022						
Non-derivative financial liabilities						
Trade payables	–	111,462	114,779	–	226,241	226,241
Other payables	–	28,059	13,674	–	41,733	41,733
Retention payables	–	1,247	–	27,022	28,269	28,269
Amounts due to related companies	–	267	–	–	267	267
Bank borrowings	3.88%-4.13%	51,500	39,140	–	90,640	90,640
		192,535	167,593	27,022	387,150	387,150

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26. FINANCIAL INSTRUMENTS *(Continued)*

26b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months MOP'000	3 months to 1 year MOP'000	After 1 year MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
At 31 December 2021						
Non-derivative financial liabilities						
Trade payables	–	68,526	216	–	68,742	68,742
Other payables	–	–	13,674	–	13,674	13,674
Retention payables	–	477	–	32,556	33,033	33,033
Amounts due to related companies	–	1,258	–	–	1,258	1,258
		70,261	13,890	32,556	116,707	116,707

26c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

27. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits (note 18), promissory notes and corporate guarantee. The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of the reporting period, the Group had outstanding performance bonds as follows:

	2022 MOP'000	2021 MOP'000
Issued to the Group by banks	**151,283**	148,829

At 31 December 2022, the Group has obtained total credit facilities of MOP370,500,000 (2021: MOP278,100,000) for the issuance of performance bonds and these credit facilities were secured by (i) the pledged bank deposits of approximately MOP34,370,000 (2021: MOP31,158,000); (ii) the promissory notes of approximately MOP543,480,000 (2021: MOP370,800,000); and (iii) corporate guarantee provided by the Company.

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28. RETIREMENT BENEFIT PLANS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by The Government of the Macau Special Administrative Region. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The plans for employees in Hong Kong are a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee per month, which contribution is matched by the employees.

Employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

During the year ended 31 December 2022, a total cost of MOP1,114,000 (2021: MOP599,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the retirement benefits scheme utilised to reduce future contributions.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies MOP'000	**Bank borrowings** MOP'000	**Dividend payable** MOP'000	**Total** MOP'000
At 1 January 2021	191	–	–	191
Financing cash flows *(note)*	1,067	–	(88,316)	(87,249)
Dividend declared	–	–	88,316	88,316
At 31 December 2021	1,258	–	–	1,258
Financing cash flows *(note)*	(991)	89,884	(101,872)	(12,979)
Dividend declared	–	–	101,872	101,872
Interest expenses	–	756	–	756
At 31 December 2022	**267**	**90,640**	**–**	**90,907**

Note: The cash flows make up the net amount of advances from and repayment to related companies, dividends paid and bank borrowings in the consolidated statement of cash flows.

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For the year ended 31 December 2022

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 MOP'000	2021 MOP'000
Non-current asset		
Investments in subsidiaries	**147,204**	147,204
Current assets		
Other receivables	**538**	925
Amounts due from subsidiaries	**237,607**	255,436
Bank balances and cash	**1,243**	3,080
	239,388	259,441
Current liability		
Accrued charges	**1,843**	1,844
Net current assets	**237,545**	257,597
Net assets	**384,749**	404,801
Capital and reserves		
Share capital	**27,440**	18,358
Reserves	**357,309**	386,443
Total equity	**384,749**	404,801

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30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement on the Company's reserves

	Share premium MOP'000	Share options reserve MOP'000	Retained earnings MOP'000	Total MOP'000
At 1 January 2021	419,748	623	3,248	423,619
Profit and total comprehensive income for the year	–	–	87,234	87,234
Shares repurchase and cancelled	(31,315)	–	–	(31,315)
Exercise of share options	2,097	(623)	–	1,474
Transaction costs attributable to exercise of share options	(9)	–	–	(9)
Bonus issue of shares	(6,136)	–	–	(6,136)
Transaction costs attributable to issue of bonus shares	(108)	–	–	(108)
Dividends paid	–	–	(88,316)	(88,316)
At 31 December 2021	384,277	–	2,166	386,443
Profit and total comprehensive income for the year	–	–	102,269	102,269
Shares repurchase and cancelled	(19,893)	–	–	(19,893)
Bonus issue of shares	(9,178)	–	–	(9,178)
Transaction costs attributable to issue of bonus shares	(108)	–	–	(108)
Exercise of bonus warrants	283	–	–	283
Transaction costs attributable to issue of bonus warrants	(635)	–	–	(635)
Dividends paid	–	–	(101,872)	(101,872)
At 31 December 2022	**354,746**	**–**	**2,563**	**357,309**

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31. INVESTMENTS IN AND PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of operation	Place and the date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Company as at 31 December 2022	Equity interest attributable to the Company as at 31 December 2021	Principal activities
Directly held:						
MECOM EHY	British Virgin Islands ("BVI")	BVI 10 May 2017	HK$1	**100%**	100%	Investment holding
MECOM Hung Yip Limited	BVI	BVI 10 May 2017	HK$1	**100%**	100%	Investment holding
MECOM Sun Hung Yip Limited	BVI	BVI 10 May 2017	HK$1	**100%**	100%	Investment holding
MECOM Investment (BVI) Limited	BVI	BVI 14 September 2021	HK$1	**100%**	100%	Investment holding
MECOM EHY (Cyprus) Limited	BVI	BVI 30 November 2022	HK$1	**100%**	–	Investment holding
Indirectly held:						
EHY	Macau	Macau 7 September 2010	MOP40,000	**100%**	100%	Provision of construction services and facilities management services
SHY	Macau	Macau 12 March 2008	MOP50,000	**100%**	100%	Provision of construction services
MU (Hong Kong) Limited	Hong Kong	Hong Kong 20 November 2020	HK$100	**100%**	100%	Provision of EV charging services
MUCHARGING (Macau) Limited	Macau	Macau 7 December 2020	MOP50,000	**100%**	100%	Provision of EV charging services
自由充(廣東)新能源汽車有限公司 (MU (Guangdong) New Energy Vehicle Co., Ltd.)*^	The PRC	The PRC 26 February 2021	HK$6,000,000	**100%**	100%	Provision of EV charging services

Notes to the Consolidated Financial Statements

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31. INVESTMENTS IN AND PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of operation	Place and the date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Company as at 31 December 2022	Equity interest attributable to the Company as at 31 December 2021	Principal activities
澳能智匯能源科技(廣州)有限公司 (MECOM Zhihui Energy Technology (Guangzhou) Co., Ltd)*^	The PRC	The PRC 18 March 2021	RMB10,000,000	**70%**	70%	Provision of EV charging services
MECOM Investment Limited	Hong Kong	Hong Kong 24 September 2021	HK$100	**100%**	100%	Investment holding
澳能國際新材料科技(廣東)有限公司 (MECOM International New Materials Technology (Guangdong) Co., Ltd.)*^	The PRC	The PRC 10 November 2021	HK$200,000,000	**60%**	60%	Trading of construction materials and equipment
Ao Gang Construction (Macau) Limited	Macau	Macau 17 February 2022	MOP50,000	**60%**	–	Trading of construction materials and equipment
Ao Gang Construction (Hong Kong) Limited	Hong Kong	Hong Kong 14 April 2022	HK$100	**60%**	–	Inactive

None of the subsidiaries had issued any debt securities at the end of the year.

* the English translation of the companies' names is for reference only. The official name of these companies is in Chinese.

^ These subsidiaries are foreign owned enterprise established in the PRC.

Financial Summary

	Year ended 31 December				
	2022	2021	2020	2019	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS					
Revenue	**1,341,916**	911,982	707,313	498,945	597,572
Profit before tax	**102,537**	144,504	56,958	64,043	64,345
Income tax expense	**(10,870)**	(18,038)	(6,038)	(7,711)	(9,331)
Profit for the year	**91,667**	126,466	50,920	56,332	55,014
Attributable to:					
Owners of the Company	**81,344**	126,466	50,920	56,332	55,014
Non-controlling interests	**10,323**	–	–	–	–
	91,667	126,466	50,920	56,332	55,014
Basic earnings per share (MOP cents)	**3.05**	4.72*	2.84	4.70	4.70
Diluted earnings per share (MOP cents)	**3.05**	4.72*	2.84	4.70	4.70

	At 31 December				
	2022	2021	2020	2019	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES					
Total assets	**995,433**	682,787	610,593	634,824	607,601
Total liabilities	**(512,034)**	(235,259)	(171,561)	(171,889)	(156,452)
Net assets	**483,399**	447,528	439,032	462,935	451,149
CAPITAL AND RESERVES					
Share capital	**27,440**	18,358	12,295	12,340	12,360
Reserves	**369,203**	429,170	426,737	450,595	438,789
Non-controlling interests	**86,756**	–	–	–	–
Total equity	**483,399**	447,528	439,032	462,935	451,149

* The earnings per share of the Group for the year ended 31 December 2021 was adjusted and restated for the bonus shares in June 2022.