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POWER & CONSTRUCTION

MECOM POWER AND CONSTRUCTION LIMITED

澳能建設控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1183)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 February 2018.
- Overall revenue for the year ended 31 December 2017 increased to MOP658.7 million as compared to that of MOP464.9 million for the year ended 31 December 2016.
- Overall gross profit increased to MOP127.3 million for the year ended 31 December 2017 as compared to that of MOP97.2 million for the year ended 31 December 2016.
- Profit for the year increased to MOP78.2 million for the year ended 31 December 2017 as compared to that of MOP68.0 million for the year ended 31 December 2016.
- Excluding the one-off listing expenses of MOP13.6 million being charged to profit or loss (2016: nil), profit for the year would have been MOP91.8 million, which increased by MOP23.8 million, or 35.0%, when compared to that of MOP68.0 million for the year ended 31 December 2016.
- In 2017, the Group was awarded 44 projects (out of which 34 and 10 are as a main contractor and subcontractor, respectively) with total original contract sum of HK\$625.1 million.
- The directors of the Company propose to recommend, subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK6.7 cents per share, amounting to a total of approximately HK\$80.4 million.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of MECOM Power and Construction Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 (the “Year” or “2017”), together with the comparative results for the year ended 31 December 2016 (“2016”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Macau Pataca)

	<i>Notes</i>	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Revenue	3	658,746	464,882
Cost of services		(531,436)	(367,647)
Gross profit		127,310	97,235
Other income		465	279
Other losses		(23)	–
Administrative expenses		(27,467)	(14,596)
Listing expenses		(13,617)	–
Profit before tax		86,668	82,918
Income tax expense	4	(8,474)	(14,917)
Profit and total comprehensive income for the year		78,194	68,001
Basic earnings per share (MOP cents)	5	8.15	7.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Expressed in Macau Pataca)

	Notes	2017 MOP'000	2016 MOP'000
Non-current assets			
Property, plant and equipment		15,630	7,599
Deposit for property, plant and equipment		–	8,283
		<u>15,630</u>	<u>15,882</u>
Current assets			
Amounts due from customers for contract works		6,070	10,165
Debtors, deposits and prepayments	6	98,610	97,428
Amounts due from related companies	7	105,679	23,438
Amounts due from shareholders		46	26,460
Pledged bank deposits		41,108	26,457
Bank balances and cash		165,882	107,367
		<u>417,395</u>	<u>291,315</u>
Current liabilities			
Amounts due to customers for contract works		8,478	7,601
Amounts due to related companies	7	2,739	9,142
Amounts due to shareholders		5,021	–
Creditors and accrued charges	8	178,779	81,408
Tax liabilities		36,076	44,108
		<u>231,093</u>	<u>142,259</u>
Net current assets		<u>186,302</u>	<u>149,056</u>
Net assets		<u>201,932</u>	<u>164,938</u>
Capital and reserves			
Share capital		–*	90
Reserves		201,932	164,848
Total equity		<u>201,932</u>	<u>164,938</u>

* Less than MOP1,000

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 May 2017. 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's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 February 2018.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alternation and maintenance works and services.

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

Pursuant to a group reorganisation to rationalise the structure of the Group (the "Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the Company has become the holding company of its operating subsidiaries including EHY Construction and Engineering Company Limited ("EHY") and Sun Hung Yip Engineering and Construction Company Limited ("SHY") on 31 May 2017 (collectively the "Subsidiaries").

The Group underwent the Reorganisation, comprised with the following steps:

- (i) MECOM Holding Limited ("MECOM Holding"), was incorporated in the British Virgin Islands on 28 April 2017 and the authorised share capital of MECOM Holding was 50,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, 35 shares, 35 shares, 15 shares and 15 shares were allotted and issued to Mr. Sou Kun Tou ("Mr. Sou"), Mr. Kuok Lam Sek ("Mr. Kuok"), Mr. Lam Kuok Wa ("Mr. Lam") and Mr. Lao Ka Wa ("Mr. Lao"), respectively.
- (ii) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2017 to act as the holding company of the Group for the Listing on Stock Exchange. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each (the "Shares"). Upon incorporation, 1,000 Shares, representing the entire issued share capital of the Company, were allotted and issued to MECOM Holding.

- (iii) MECOM EHY Limited (“MECOM EHY”), MECOM Hung Yip Limited (“MECOM Hung Yip”) and MECOM Sun Hung Yip Limited (“MECOM Sun Hung Yip”) were incorporated in the British Virgin Islands on 10 May 2017 and the authorised share capital of MECOM EHY, MECOM Hung Yip and MECOM Sun Hung Yip were 10,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, one fully paid share was allotted and issued to the Company at par.
- (iv) On 31 May 2017, MECOM EHY acquired 50% of the share capital of EHY from each of Mr. Sou (who beneficially owned 35% and held 15% of the share capital on trust for Mr. Lam) and Mr. Kuok (who beneficially owned 35% and held 15% of the share capital on trust for Mr. Lao) at the consideration of MOP57,404,932 and MOP57,404,932, which was determined with reference to net asset value of EHY as at 30 April 2017. The consideration for the above transfers was settled by the Company allotting and issuing 500 Shares to MECOM Holding (as directed by Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao) on the same day. Upon completion of such transfers, EHY became a direct wholly-owned subsidiary of MECOM EHY.
- (v) On 31 May 2017, MECOM Sun Hung Yip acquired 35%, 35%, 15% and 15% of the share capital in SHY from Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao, respectively, at the consideration of MOP32,393,744, which was determined with reference to net asset value of SHY as at 30 April 2017. The consideration for the above transfers were settled by the Company allotting and issuing 500 Shares to MECOM Holding (as directed by Mr. Sou, Mr. Kuok, Mr. Lam and Mr. Lao) on the same day. Upon completion of such transfers, SHY became a direct wholly-owned subsidiary of MECOM Sun Hung Yip.
- (vi) On 2 June 2017, MECOM Holding entered into a pre-IPO agreement with each of King Dragon Ventures Limited (the “King Dragon”) and One Wesco Inc. (the “One Wesco”), pursuant to which MECOM Holding agreed to sell (a) 588 Shares to the King Dragon at a consideration of HK\$10,800,000; and (b) 160 Shares to the One Wesco at a consideration of HK\$2,938,776.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The Group has consistently applied all the new and revised IFRSs, International Accounting Standards, amendments and interpretations issued by the International Accounting Standard Board which are effective for the accounting periods beginning on 1 January 2017 throughout both years.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on structural steelworks, civil engineering construction, fitting out and renovation works, high voltage power substation construction and its system installation works, facilities management, alteration and maintenance works and services.

An analysis of the Group's revenue is as follows:

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Structural steel works, civil engineering construction, and fitting out and renovation works	507,138	233,694
High voltage power substation construction and its system installation works	91,405	186,666
Facilities management, alteration and maintenance works and services	60,203	44,522
	658,746	464,882

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

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

4. INCOME TAX EXPENSE

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Current tax		
Macau Complementary Tax	13,483	14,917
Over-provision in prior years	(5,009)	–
	8,474	14,917

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

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<u>78,194</u>	<u>68,001</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Number of shares for the purpose of calculating basic earnings per share	<u>960,000</u>	<u>960,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 January 2016.

No diluted earnings per share was presented for both years as there were no potential ordinary shares outstanding.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Trade receivables	76,396	73,513
Retention receivables	14,622	18,282
Other debtors, deposits and prepayments		
– Deposits	1,028	859
– Prepayments	2,188	1,871
– Deferred share issue costs	2,692	–
– Others	<u>1,684</u>	<u>2,903</u>
	<u>98,610</u>	<u>97,428</u>

Trade Receivables

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

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
0 – 90 days	62,155	52,439
91 – 365 days	13,450	18,575
1 – 2 year	696	2,499
Over 2 years	<u>95</u>	<u>–</u>
	<u>76,396</u>	<u>73,513</u>

No provision for doubtful debt had been recognised as at 31 December 2017 (2016: Nil).

Retention Receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 year to 2 years from the date of the completion of the respective project.

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

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
On demand or within one year	9,982	16,169
After one year	<u>4,640</u>	<u>2,113</u>
	<u><u>14,622</u></u>	<u><u>18,282</u></u>

7. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

(a) Amount due from a related company (trade receivables)

The Group typically allows a credit period of 45 days to its related company. The following is an aging analysis of the amount due from a related company (trade receivables), presented based on invoice date at the end of the reporting period.

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Within 90 days	84,219	–
91 – 365 days	<u>1,653</u>	<u>–</u>
	<u><u>85,872</u></u>	<u><u>–</u></u>

(b) Amount due from a related company (retention receivables)

The following is an aging analysis of the amount due from a related company (retention receivables) which are to be settled, based on the expiry of defect liability period, at the end of the reporting period.

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
On demand or within one year	896	–
After one year	<u>18,379</u>	<u>–</u>
	<u><u>19,275</u></u>	<u><u>–</u></u>

(c) Amounts due to related companies (trade payables)

The credit period on the trade payables is 0 to 90 days. The following is an aging analysis of the amounts due to related companies (trade payables) presented based on invoice date at the end of the reporting period.

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Within 90 days	–	8,426
91 – 365 days	<u>–</u>	<u>716</u>
	<u><u>–</u></u>	<u><u>9,142</u></u>

8. CREDITORS AND ACCRUED CHARGES

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
Trade payables	79,572	39,780
Retention payables	1,240	2,423
Other creditors and accrued charges		
– Accrued expenses and construction costs	97,285	13,795
– Receipt in advance	682	25,410
	<u>178,779</u>	<u>81,408</u>

Trade Payables

The credit period on trade purchases is 0 to 90 days. Aging analysis of the Group's trade payables based on invoice dates at the end of the reporting period is as follows:

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
0 – 90 days	73,279	36,540
91 – 365 days	5,133	3,080
1 – 2 year	1,160	160
	<u>79,572</u>	<u>39,780</u>

Retention Payables

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

	2017 <i>MOP'000</i>	2016 <i>MOP'000</i>
On demand or within one year	<u>1,240</u>	<u>2,423</u>

9. DIVIDENDS

During the year ended 31 December 2017, prior to the Reorganisation, EHY and SHY declared and paid dividends of an aggregate amount of MOP41,200,000 (2016: MOP61,800,000) to their shareholders.

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK6.7 cents (2016: Nil) per share, totaling approximately HK\$80,400,000 (2016: Nil), for the year ended 31 December 2017, to the shareholders of the Company. The final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

10. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2017, the following significant events took place:

- (i) On 23 January 2018, written resolutions of all shareholders of the Company were passed to approve the below matters:
 - a. the increase in authorised share capital of the Company from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each;
 - b. conditionally upon the share premium account of the Company being credited as a result of the global offering (the “Global Offering”) resulting from the Listing, the directors of the Company were authorised to capitalise an amount of HK\$9,599,980 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 959,998,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company immediately upon the completion of the Global Offering; and
 - c. the adoption of a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. No share has been granted since the adoption of the scheme. The principal terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix V to the Prospectus.
- (ii) On 13 February 2018, a total of 959,998,000 shares were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK\$9,599,980 standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued to the persons whose names appear on the register of members of the Company.
- (iii) On 13 February 2018, 240,000,000 shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$1.25 per share by way of Global Offering. On the same date, the shares were listed on the Main Board of the Stock Exchange.

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the Board, I present the audited consolidated results of the Group for the year ended 31 December 2017.

Over the years, the Group has focused on undertaking highly challenging and complex construction projects in Macau, particularly those involving structural steelworks, and also high voltage power substation construction works. It also provides facility management, alteration and maintenance works and services. It ranked fifth* among Macau-based construction contractors in the civil engineering market in Macau and second* in the high voltage power substation construction project market in the city. In 2017, building on its solid operational foundation, the Group actively expanded its business and greatly enhanced its efficiency. As a result, it achieved record high revenue of MOP658.7 million.

The Company was listed on the Main Board of the Stock Exchange on 13 February 2018 (the “Listing”), setting a new milestone in the development of the Group. The Listing has not only enlarged the Group’s capital base, but, with the proceeds received from the Global Offering, the Group will be able to capture the enormous opportunities arising from the second infrastructure boom in Macau and solidify its foundation for future development. The Listing has also enhanced the Group’s corporate image and reputation, and also customers’ confidence in and recognition for the Group.

With outstanding professional technological capability and extensive construction management experience, the Group is one of the few Macau-based construction companies capable of offering integrated construction engineering services and high voltage power substations construction services. It has participated in many large-scale and high profile structural steelworks and civil engineering construction projects and received numerous accolades for its undertakings. With regard to high voltage power sub-station construction and related system installation works, the Group is an industry leader, armed with strong professional expertise, and enjoys a good reputation in the industry. Furthermore, with its facility management, alteration and maintenance works and services complementing its two main business segments, the Group is able to offer complete one-stop solution to customers, while securing from the offering of those works and services a stable stream of revenue.

Under the 13th Five-year Plan of China and Macau’s own Five-year Plan starting in 2016, the Macau SAR Government has strived to turn the city into a global tourism and leisure centre, push for diversification of its economy and enhance the development of non-gaming industries in the city. The Macau economy boomed after the liberalisation of the gaming industry. The Group believes it is the time to actively grasp at opportunities in the Macau economy and be ready to take flight again.

As an entertainment city in Southeastern China, Macau has positioned itself as a global tourism and leisure centre. It has many large hotels and entertainment facilities under construction and many existing hotels, casinos and other entertainment facilities are going through, or have plans for, upgrades and renovations. In addition, with the initiative of “Guangdong-Hong Kong-Macau Greater Bay Area” taking shape and infrastructure project like the Hong Kong-Zhuhai-Macau Link Bridge soon to open to traffic, construction of infrastructure in Macau will speed up. Moreover, the Macau SAR Government will step up reclamation projects to increase land supply. The New Town Reclamation Area will span approximately 350 hectares, giving the city sufficient land supply for meeting needs in the next two to three decades. New development undertakings covering residential areas, multi-functional areas and public facilities will push up demand for civil engineering services in Macau, and also accordingly boost the demand for electricity and facility management services.

Furthermore, Macau was hit last August by a super typhoon rare in its history and some infrastructure were damaged. Many reconstruction and repair projects are imminent waiting to begin. The Macau SAR Government has decided to build a new power plant and is also looking into upgrades of power substations in old districts. Such projects are expected to be launched gradually this year and in the coming years, and for the Group they represent enormous opportunities for its high voltage power substation construction and system installation works businesses. The Group has made a bid for the power generator system project at Companhia de Electricidade de Macau’s power plant in Coloane. It will also actively pursue other high voltage power substation and related engineering projects.

With many factors working in its favour, and new projects to come one after another, the Group, on its boosted capital base, will actively take part in public and private project tenders. On top of having long term and stable cooperative relationship with customers and subcontractors, the Group also boasts extensive experience in participating in renowned casinos and world-class hotel building projects. Thus, the management has full confidence in the Group undertaking more large-scale projects in the future.

To help it seize market opportunities, the Group plans to acquire a warehouse of around 15,000 square feet in the northern district in Macau to upgrade warehousing facilities for its equipment and materials. It also intends to purchase more equipment to help boost the overall efficiency and production capacity of the Group’s construction operations. In addition, it will hire more staff, improve management and optimise its competitive advantages.

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

Kuok Lam Sek
Chairman

29 March 2018

* Sources: Frost & Sullivan market research report, based on the Group’s revenue generated from such business in 2016.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The year 2017 was a strategically significant year for the Group during which the Group has actively expanded its business which helped boost its revenue to a record high at MOP658.7 million. As the Macau market has continued to boom, to capture the related opportunities, the Group has prepared for the Listing in 2017 hoping to enlarge its capital base. The Company was listed on the Main Board of the Stock Exchange on 13 February 2018, marking a new chapter in its development and solidifying its foundation for future growth.

During the year under review, key economies around the world have experienced stable growth and statistical indicators also indicated an ongoing stable recovery. Closer to home, Macau was ravaged in last August by super typhoon Hato and the devastation caused by the typhoon was seen everywhere in the city. Thanks to the concerted effort of the citizens in Macau, life in the city has quickly returned to normal. In the aftermath of Hato, many planned large-scale construction projects and post-typhoon repair projects have commenced one after the other.

As at 31 December 2017, the Group had 49 projects on hand, including the 110/11kV high voltage power substation of E&M works contract for the theme park of the first casino gaming operator in Macau as part of a consortium with its power projects partner, and the high voltage power substation contract for Macau's light rail transit system.

In 2017, total revenue from the Group's three business segments namely structural steelworks, civil engineering construction and fitting out and renovation works; high voltage power substation construction and its system installation works; and facilities management, alteration and maintenance works and services amounted to MOP658.7 million, a surge of 41.7% when compared with MOP464.9 million recorded in the year ended 31 December 2016. The increase was mainly attributable to the growth in revenue from structural steelworks, civil engineering construction, and fitting out and renovation works. However, part of the growth was offset by the drop in revenue from high voltage power substation construction and its system installation works.

Gross profit in 2017 was MOP127.3 million, an increase of 30.9% when compared with MOP97.2 million in 2016. Gross profit margin was 19.3% (2016: 20.9%). Profit for the year amounted to MOP78.2 million, 15.0% higher than that of MOP68.0 million recorded in 2016. Excluding the one-off listing expense of MOP13.6 million, the adjusted profit for the year in 2017 would have been MOP91.8 million, representing a growth of 35.0%. Net profit margin and adjusted net profit margin was 11.9% and 13.9% respectively (2016: net profit margin of 14.6%).

Segment Analysis

Structural Steelworks, Civil Engineering Construction, and Fitting Out and Renovation Works

The Group's structural steelworks services generally involve the provision of customised and target-oriented steel structure erection services which typically consist of structural steelworks, concreting and builder works, using a suitable combination of each to produce an efficient structure. Civil engineering construction services generally involve demolition, ground field investigation, site formation and foundation works, as well as substructures and superstructures, roads and drainage. Fitting out and renovation works generally involves the provision of alteration, renovation and upgrading works of various types, including preparation of shop drawings, modification, removal and installation of equipment and general renovation works.

During the year under review, revenue from structural steelworks, civil engineering construction, and fitting out and renovation works was MOP507.1 million, an increase of 117.0% year-on-year and accounted for 77.0% of the Group's total revenue. The increase was primarily attributable to the substantial progress achieved in the large-scale structural steelworks and civil engineering construction projects during the year under review, leading to a notable growth in revenue recognised. The Group has adopted a more competitive pricing strategy in submitting bids in order to secure more projects. Thus, gross profit margin has been correspondingly affected. Nonetheless, the Group still believes winning more projects is conducive to its overall development. Therefore, it will strive to strike a balance and maintain a reasonable gross profit margin.

High Voltage Power Substation Construction and Its System Installation Works

The Group's high voltage power substation construction and its system installation works generally involve the provision of the planning, scheduling, project management and construction of customised and technologically advanced high-voltage substations and complex power transmission infrastructure with installation of high voltage power system. During the year under review, revenue from high voltage power substation construction and its system installation works amounted to MOP91.4 million, a decrease of 51.0% when compared with 2016, accounting for 13.9% of the Group's total revenue. The decrease was mainly due to the substantial completion of two large-scale high voltage power substation construction projects for a Macau hospital and a resort hotel in Cotai, Macau in 2016.

Facilities Management, Alteration and Maintenance Works and Services

The Group's facilities management, alteration and maintenance works and services generally involve the provision of facilities operation and maintenance management, alteration, upgrading, maintenance works and emergency repairs of a variety of buildings, properties and their components (especially for hotels and resorts) and high voltage power substations and its systems. During the year under review, the Group entered into a new facility management agreement with a hotel operator in July 2017 thereby benefitting from the increasing demand in Macau for facilities management and related works and services. Revenue recorded a year-on-year growth of 35.2% to MOP60.2 million, accounting for 9.1% in the Group's total revenue in 2017.

Prospects

Taking advantage of the national policies and holistic planning of its government, the Macau economy will take another flight following the economic boom powered by the opening of the gaming industry in the city. The Group believes these opportunities will also present enormous development potential to its integrated construction engineering and high voltage power substation construction and system installation services.

Under the 13th Five-year Plan of China, Macau is positioned as a globally renowned tourism and leisure centre. The Macau SAR Government has further promoted the development of large-scale infrastructure, hotel and resort projects. As the gaming licences are to be put up for re-auction upon their expiration, the Macau SAR Government is expected to announce details of the re-auction in mid-2018. At the behest of the government to develop non-gaming businesses, hotel and entertainment facilities, operators are expected to step up investment in related fields and launch a variety of large-scale projects for hotels and entertainment facilities. Besides, existing hotels, casinos and other entertainment venues would also undergo upgrade and renovation.

To complement the future social and economic development of Macau, the Macau SAR Government will step up reclamation projects to increase land supply. The New Town Reclamation Area will span approximately 350 hectares in five zones, giving the city sufficient land supply for meeting needs in the next two to three decades. New development undertakings will cover commercial and residential communities, diversified industrial land parcels and public use facilities such as a waterfront park. The reclamation works in the B zone covering 47 hectares was the first to achieve completion and the land will be used for road infrastructure, travel and leisure and public construction purposes and for building commercial and residential communities. Apart from increasing land resources by way of reclamation, the Macau SAR Government also aims to strengthen the planning, development and management of land. In sum, Macau's integrated construction engineering market presents huge development potential to the Group in the long run.

Power consumption in Macau has been surging along with the increasing population and continuous economic growth in the city. Building new power substations and upgrading old ones have become a dominant feature, and introducing intelligent substations that are capable of improving equipment management efficiency will be a core strategy for the city. With strong support from the Chinese government and the Macau SAR Government, the proportion of renewable energy consumption (including wind power and solar power) will rise in Macau. Higher requirements on power substations will be implemented in order to maintain the stability of power transmission and distribution. After the typhoon disaster last August, the Macau SAR Government has decided to build a new power plant and is also investigating upgrade of power substations in old districts. The decision has stimulated huge demand for high voltage power substation construction and system installation works. As a key player in the industry, the Group intends to seize this opportunity and actively participate in the tenders for related projects.

In view of the higher living standards and growing number of high-end residential and commercial buildings becoming available in the market, together with the expanding scope and quality of facilities management services and rapid technological advancement, the operation of facilities management services needs to incorporate technologies such as digitalised systems and mobile APPs. Property owners consider advanced management systems an effective method to improve the efficiency as well as the functionality of facilities operation and achieve higher safety levels and a better end-user experience which will in turn help increase the asset value of the properties. Thus, professional facilities management services are set to benefit from the completion of new projects in Macau and the higher expectations on property management standards from users. These factors combine to present a favourable situation for the Group's facilities management, alteration and maintenance works and services. It will strive to secure more customers and establish a stable alternative source of income for this business segment.

The Group aims to maximise the favourable operating environment and actively participate in bidding to expand its businesses and scale of operation, as well as add new facilities, new machines and hire additional staff in order to enlarge its share in the potentially lucrative Macau market. As stated in the Company's prospectus (the "Prospectus") dated 1 February 2018, the Group plans to purchase a warehouse in the northern region of Macau with a total site area of not more than 15,000 sq ft to strengthen its storage facilities for materials. It is also upgrading machinery and equipment to enhance construction capability. The Group in fact deploys specialised machinery including mobile cranes, material hoists and high voltage testing equipment to a great extent in its infrastructure, hotel and resort projects. It believes investing in such machinery and equipment places it in an advantageous position to cater for construction works of different scale and complexity and to meet the expected growing demand in Macau's construction industry going forward. Expertise and experience are also crucial to the Group's construction and contractor business development. Hence, in addition to the investment in facilities and machinery, the Group also plans to expand its workforce by hiring more project management and execution staff such as project managers, supervisors, engineers and skilled workers to improve its overall professional technology level and help it stand out in the market with excellent technological advantages.

Use of Proceeds from the Global Offering

Listing of the Company's shares has commenced on the Stock Exchange on 13 February 2018 (the "Listing Date"). Net proceeds from the Global Offering were HK\$261.6 million, which, as stated in the Prospectus, will be used for (i) financing the issuance of performance bonds when undertaking new projects; (ii) establishing storage facilities; (iii) recruiting additional staff; (iv) acquiring additional machinery; and (v) working capital.

From the Listing Date to the date of this announcement, the Group has not utilised any of the net proceeds from the Listing.

FINANCIAL REVIEW

Revenue

Our revenue increased by MOP193.8 million, or 41.7%, from MOP464.9 million for 2016 to MOP658.7 million for 2017, which was primarily attributable to the combined effect of the following:

(i) *Structural steelworks, civil engineering construction, and fitting out and renovation works*

Our revenue from structural steelworks, civil engineering construction, and fitting out and renovation works increased by MOP273.4 million, or 117.0%, from MOP233.7 million for 2016 to MOP507.1 million for 2017. Such increase was mainly due to the revenue generated from our three large-scale projects in this business stream awarded/commenced in April and November 2016, namely (i) the site management project and a high end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel; and (ii) a substructural steelworks construction project for a well-known hotel casino in Sé, Macau, which aggregately contributed the revenue of MOP279.8 million for 2017.

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

Our revenue from high voltage power substation construction and its system installation works decreased by MOP95.3 million, or 51.0%, from MOP186.7 million for 2016 to MOP91.4 million for 2017. Such decrease was mainly due to the substantial completion of two large-scale high voltage power substation construction projects for a Macau hospital and a resort hotel in Cotai, Macau in 2016.

(iii) *Facilities management, alteration and maintenance works and services*

Our revenue from facilities management, alteration and maintenance works and services increased by MOP15.7 million, or 35.2%, from MOP44.5 million for 2016 to MOP60.2 million for 2017. Such increase was mainly due to the commencement of certain new hotel and casino high/mid/low voltage power system facilities management and maintenance works and services in 2017.

Cost of services

Our cost of services increased by MOP163.8 million, or 44.6%, from MOP367.6 million for 2016 to MOP531.4 million for 2017, which was primarily in line with an increase in our revenue, and mainly reflected by an increase in our subcontracting costs by MOP195.8 million, or 129.2%, from MOP151.5 million for 2016 to MOP347.3 million for 2017 mainly due to more subcontracting works were used for a high-end atrium fitting out project for the world's first free-form exoskeleton skyscraper luxury hotel, partially offset by a decrease in our material costs by MOP70.9 million, or 52.1%, from MOP136.2 million for 2016 to MOP65.3 million for 2017.

Gross profit and gross profit margin

Our gross profit increased by 30.9% from MOP97.2 million for 2016 to MOP127.3 million for 2017, which was primarily attributable to an increase in our revenue. The fluctuation of our gross profit of each of our business streams also followed the fluctuation of our revenue of each of our business streams.

The gross margin of our structural steelworks, civil engineering construction, and fitting out and renovation works decreased from 26.0% for 2016 to 21.9% for 2017 primarily attributable to the adoption of a more competitive pricing strategy in tendering our large-scale projects awarded in the second half of 2016 in this business stream in the view of the keen market competition.

The gross margin of our high voltage power substation construction and its system installation works decreased from 12.9% for 2016 to 8.8% for 2017 primarily attributable to decrease in our revenue from high voltage power substation construction and its system installation works.

The gross margin of our facilities management, alteration and maintenance works and services decreased from 27.8% for 2016 to 13.5% for 2017 primarily attributable to less materials and components used for our repair and maintenance services for 2016.

Owing to the decrease in the gross margins of each of our business streams as mentioned above, our overall gross margin decreased from 20.9% for 2016 to 19.3% for 2017.

Other income

Our other revenue for 2017 amounted to MOP0.5 million, which consisted of bank interest income.

Other losses

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

Administrative expenses

Our administrative expenses increased by 88.2% from MOP14.6 million for 2016 to MOP27.5 million for 2017 primarily attributable to an increase in our staff costs mainly due to the increment of headcount and the recognition of our Directors' emoluments of MOP4.9 million for 2017.

Listing expenses

Listing expenses of MOP13.6 million was charged to profit or loss for 2017.

Income tax expense

Our income tax expense decreased by 43.2% from MOP14.9 million for 2016 to MOP8.5 million for 2017 primarily due to reversal of overprovision of MOP5.0 million in prior years.

Profit for the year

Our profit for the year increased by 15.0% from MOP68.0 million for 2016 to MOP78.2 million for 2017 primarily attributable to (i) the combined effect of the abovementioned items; and (ii) the recognition of our listing expenses of MOP13.6 million for 2017.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2017	2016
	<i>MOP'000</i>	<i>MOP'000</i>
Current assets	417,395	291,315
Current liabilities	231,093	142,259
Current ratio	1.8	2.0

As at 31 December 2017, the Group had net current assets of MOP186.3 million (2016: MOP149.1 million). The current ratio of the Group at 31 December 2017 was 1.8 (2016: 2.0).

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows. As at 31 December 2017, our bank balances and cash were MOP165.9 million (2016: MOP107.4 million). The unutilised credit facilities is MOP309.7 million (2016: MOP173.6 million) as at 31 December 2017.

Gearing ratio

As at 31 December 2017, the Group had no bank borrowings (2016: Nil) and the Group's gearing ratio is zero (2016: zero).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2017. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 31 December 2017, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

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

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year. Save as disclosed in the above section headed “Use of Proceeds from the Global Offering”, the Group had no future plan for material investments or capital assets as at 31 December 2017.

PLEDGE OF ASSETS

As at 31 December 2017, the Group had bank deposits, amounting to MOP41.1 million (2016: MOP26.5 million), that were pledged with banks as security of credit facilities.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017.

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premise and warehouses. The Group’s operating lease commitments amounted to approximately MOP328,000 (2016: MOP252,000) as at 31 December 2017.

As at 31 December 2017, the Group did not have any significant capital commitments (2016: MOP3,966,000).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group has 541 employees in Hong Kong and Macau. The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong and Macau. The remuneration offered to employees generally includes salaries, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds and bonus. In general, the Group determines salaries of its employees based on each employee’s qualification, position and seniority.

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. A summary of the principal terms of the Share Option Scheme is set out in the Prospectus. Since the Listing Date up to the date of this announcement, no option has been granted to any eligible participant pursuant to the Share Option Scheme.

FUTURE PROSPECTS

The Listing marked an important milestone in the history of the Group and opened up good opportunities for the Group’s future development in the construction industry. With the Listing and taking into account the ongoing dedication of the government of Macau to upgrading Macau’s infrastructure, the Board is optimistic that the Group can maintain steady growth in net profit and scale of operations due to its long established reputation, experience and proven ability in the industry.

EVENTS AFTER THE REPORTING PERIOD

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

Save as disclosed in this announcement, there were no other important events affecting the Group that had occurred after 31 December 2017 and up to the date of this announcement.

FINAL DIVIDENDS

The directors recommended the payment of a final dividend of HK6.7 cents per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on 11 June 2018. The payment of the proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on 6 July 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 6 June 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDENDS

The payment of the proposed final dividend for the year ended 31 December 2017 is subject to the approval of shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Thursday, 7 June 2018. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 June 2018.

CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the period from the Listing Date to the date of this announcement, the Board is of the opinion that the Company has complied with all the code provisions. The CG Code is not applicable to the Company before the Listing Date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. 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 since the Listing Date and up to the date of this announcement.

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company has established the audit committee (the “Audit Committee”) on 23 January 2018 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors, namely Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong. The first meeting of the Audit Committee was held on 29 March 2018, during which the Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

This announcement is published on the Company's website at www.mecommacau.com and the Stock Exchange's website at www.hkexnews.hk. The 2017 Annual Report will be despatched to the shareholders of the Company and will be made available on the above websites in due course in accordance with the Listing Rules.

APPRECIATION

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

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

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Kuok Lam Sek and Mr. Sou Kun Tou, and the independent non-executive Directors are Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong.