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## INDUSTRY OVERVIEW

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*The information contained in this section and elsewhere in this document have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics. As a result, you should not unduly rely upon such facts and statistics contained in this document.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the fitting-out market in Macau. The report prepared by Frost & Sullivan for us is referred to in this document as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK\$380,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the fitting-out market in Macau for the prospective investors. The Frost & Sullivan Report includes information on the fitting-out market in Macau as well as other economic data, which have been quoted in the document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the fitting-out market in Macau. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

The analysis in the industry research report is based on the following assumptions, (i) there is no external shock such as financial crisis or natural disasters to affect the demand for and the supply of fitting-out works in Macau over the forecast period; and (ii) the key drivers of the industry are likely to continue to affect the market over the forecast period.

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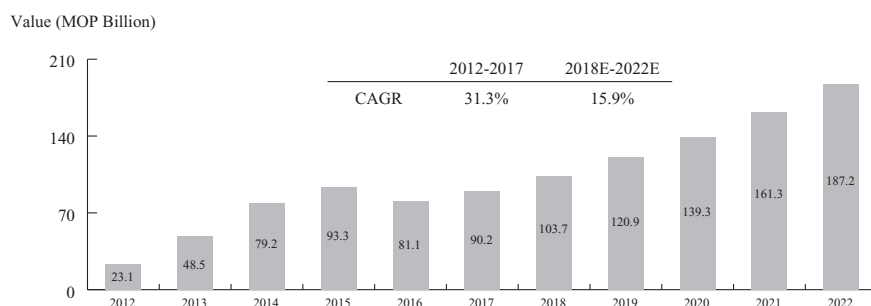
The parameters considered in the forecast models and figures in the Frost & Sullivan Report include, (i) nominal GDP value and growth rate in Macau from 2012 to 2022; (ii) gross value of construction works and other receipts in Macau from 2012 to 2022; and (iii) market size of the overall fitting-out industry in Macau from 2012 to 2022.

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

### OVERVIEW OF MACRO ECONOMY IN MACAU

Macau experienced a rapid increase in nominal GDP from 2012 to 2014 due to strong growth of gaming and tourism industries. In 2015 and 2016, the implementation of anti-corruption initiatives by the Chinese central government slowed down the development of the gaming and tourism sectors, which led to a drop in nominal GDP in Macau. With the growing demand for goods and services as well as recovery of the tourism and gaming industries, it is expected that Macau’s nominal GDP will recover at a relatively stable rate in the coming years at a CAGR of approximately 6.0% from 2018 to 2022, reaching approximately MOP556.8 billion in 2022.

#### Value of Construction Work Done and Other Receipts (Macau), 2012-2022E



*Note:* Other receipts refer to receipts for non-construction services rendered to others, e.g. rental from leased property, income from letting of machinery and equipment without operator, receipts from technical consultant services, etc.

*Source:* Macau Statistics Department; Frost & Sullivan

The Macau Government has launched various promotional campaigns and related policies to support tourism. Meanwhile, the completion of the Hong Kong-Zhuhai-Macau Bridge is expected to further promote the economic development in Macau, including the construction of new integrated resorts. Moreover, the development of the New Urban Zone, a huge land reclamation project in Macau spanning over approximately 2.8 square miles and expected to add over 12% of land for city use as highlighted in the Macau Policy Address (the “**Policy Address**”) for the Fiscal Year 2017 was recognised as a key driver to the construction industry. Moreover, the development of integrated resorts is still ongoing. Hence, it is expected that the construction market of Macau will continue to grow at a CAGR of approximately 15.9% from 2018 to 2022, reaching approximately MOP187.2 billion in 2022.

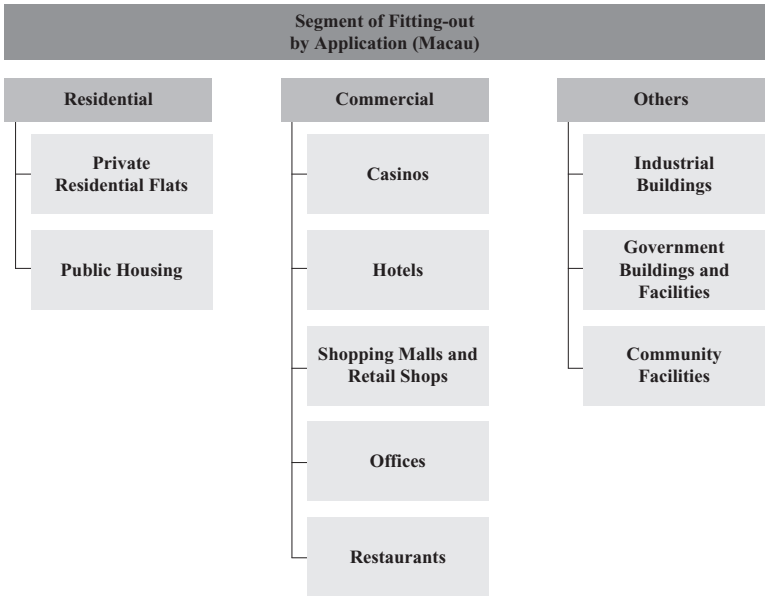
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The rapid development of tourism and gaming sectors in Macau has driven up the demand for workers in construction industry. The number of employees engaged in construction industry in Macau has recorded a significant growth from 21,309 in 2012 to 45,316 in 2016, representing a CAGR of approximately 20.8%. It is expected that the number of employees engaged in construction industry will grow continuously in the future, primarily due to the sustained demand for construction works as a result of rising housing supply and supportive policies in tourism diversification.

### OVERVIEW OF FITTING-OUT MARKET IN MACAU

#### Definition and Classification

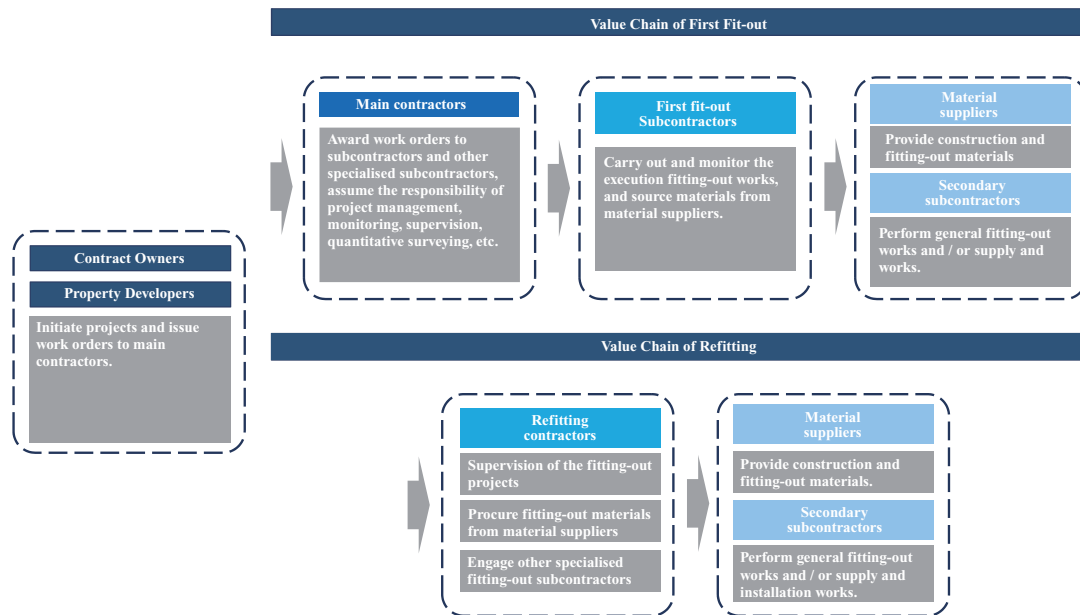
Fitting-out works are undertaken with respect to the interior spaces of a property after such property has been structurally completed but before it is suitable for occupation or available to be handed over to the end users. A fitting-out project generally involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project generally include stone and marble works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, E&M works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. The fitting-out industry in Macau consists of the commercial segment including casinos, hotels and related facilities as well as offices, while the non-commercial segment mainly refers to residential units.



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Value Chain Analysis



Source: Frost & Sullivan

In Macau, the commercial fitting-out projects are usually initiated by the property developers and the major casino operators and are awarded to the main contractors through tendering. The main contractors being awarded the fitting-out project would then normally enter into contracts with one or more subcontractors.

The contractors would source fitting-out materials required for the fitting-out projects, including tiles, carpets, wall coverings, marbles, ironmongeries, fabrics, and other general fitting-out materials. The contractors also provide solutions on project management, execution, project coordination, supervision and quality assurance.

Typically in the fitting-out industry, the property owners would require the main contractors, especially for those that are with limited past working relationship, to secure performance bonds in favor of them upon the award of the fitting-out projects and these performance bonds would be released upon completion of the projects. The amount of performance bonds required for each fitting-out project generally would not exceed 10% of the total contract sum. Typically, the main contractors would request banks or financial institutions to issue these performance bonds for them and secured these performance bonds with deposit.

### Market Size

The revenue of the fitting-out industry in Macau registered a robust growth from approximately MOP2,172.6 million in 2012 to approximately MOP6,841.0 million in 2015, at a CAGR of approximately 46.5%. Such robust growth was mainly attributable to the rapid development of the integrated resort which led to the increase in demand for fitting-out works in Macau. With the downturn of Macau’s gaming industry in 2016, the market

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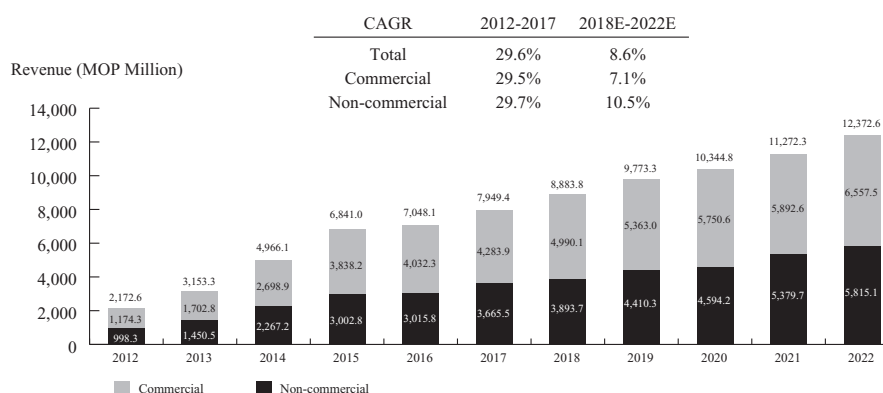
demand for high-end integrated resorts slowed down. The growth in the revenue of the fitting-out industry in 2016 and 2017 had also decreased to a CAGR of approximately 7.8% from 2015 to 2017.

Given the policies focused in promoting diversified tourism development shall continue, the pace of construction and refurbishment of buildings and facilities are expected to increase continuously, which in turn is expected to lead to an increase in demand for fitting-out works. It is expected that the revenue of fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at the CAGR of approximately 8.6% from 2018 to 2022.

The revenue of fitting-out industry generated from the commercial segment increased from approximately MOP1,174.3 million in 2012 to approximately MOP4,283.9 million in 2017, representing a CAGR of approximately 29.5%. The revenue of the non-commercial segment recorded a rise from approximately MOP998.3 million in 2012 to approximately MOP3,665.5 million in 2017, at a CAGR of approximately 29.7%.

The commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry generated from the commercial segment is likely to reach MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. According to the The Land, Public Works and Transport Bureau (DSSOPT), 19 hotels were under construction in the first quarter of 2018, offering 6,793 rooms. There are 29 hotel projects in the design phase, which are expected to provide an additional 5,653 rooms. For example, the phase 3 and phase 4 of the Galaxy Macau would be completed in 2020 and 2021. The phase 2 of Studio City casino resort property at Cotai, including the non-gaming entertainment facilities and a giant water park, is under construction. Wynn Macau Limited also plan to build two new hotels in Cotai adjacent to its property Wynn Palace, totalling some 1,371 rooms, with construction expected to start in 2020. The aforementioned projects would continue to drive the commercial fitting-out works in Macau. Supported by the rising housing supply, the revenue of fitting-out industry in the non-commercial segment is forecasted to grow at a higher CAGR of approximately 10.5%, from approximately MOP3,893.7 million in 2018 to approximately MOP5,815.1 million in 2022.

**Revenue of Fitting-out Market (Macau), 2012-2022E**



Source: Frost & Sullivan

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In compiling and preparing the forecasted figures of the gross value of construction works done and other receipts and revenue of fitting-out works in Macau, Frost & Sullivan assumed that (i) construction projects in the pipeline would be performed; (ii) rising housing supply; and (iii) sustained development and investment of integrated resort is likely to be stable over the forecast period from 2018 to 2022.

2012 to 2017 data of the gross value of construction works done and other receipts in Macau are actual figures published by the Macau Statistics Department and are used as the basis in the estimation of gross value of construction works done and other receipts and revenue of fitting-out in Macau.

Despite the slowdown in the gaming industry, the overall economy of Macau has displayed a steady to good growth trend. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the Mainland, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development. The Macau government released the Tourism Industry Development Master Plan Consultation Paper in 2016 to position Macau as the World Centre of Tourism and Leisure, diversifying the overall development of the tourism industry and promoting new development of cultural tourism. The 13th Five Year Plan of the PRC government has further reassured this positioning. These policies diversify the tourism products by upgrading the accommodation options, cultural facilities, retail shops, and various events, supported by the promotional campaigns in attracting visitors from new target segments and regions, as well as the enhancement in transportation networks. Fitting-out works would be required in the construction and renovation of social amenities, transportation facilities, tourism spots, entertainment facilities and building derived from new tourism model. The increasing number of construction projects is forecasted to give a rise to the needs for fitting-out works in Macau. Therefore, the diversified economic development of new kinetic energy will promote and facilitate the fitting-out and construction industries in Macau.

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The table below sets forth the forthcoming major construction projects with estimated project sum of over MOP100 million in the public sector of Macau:

### Projects

- Public Security Police Station Cotai Deduction Center (治安警察局路氹扣車中心)
- Taipa BT29b Lot Police Building (氹仔BT29b地段之離島警務廳大樓)
- Coloane Police Building and SWAT Team Comprehensive Training Building (路環警務大樓及特警隊綜合訓練大樓)
- Police School Building and Comprehensive Training Ground (警察學校大樓暨綜合訓練場)
- Fire Station Headquarters and Coloane Engineering Station (消防局總部暨路環工程行動站)
- Construction of walkway and social amenities at Shek Pai Wan Reservoir (石排灣水庫建造行人道及休憩設施)
- Light rail system Shek Pai Wan Line (輕軌系統石排灣線)
- China and Portugal International Trade Service Cooperation Complex (中國與葡語國貿服務合作綜合大樓)
- Ká-Hó Nursing Home and Rehabilitation Hospital (九澳安老院及康復醫院)
- Rua da Casa Forte Social service complex (下環街社會服務綜合大樓)
- Direcção dos Serviços de Assuntos Marítimos e de Água Building (海事及水務局大樓)
- Inspection Buildings Foundation Works (檢察大樓基礎大程)
- Pac On Multi-functional Government Buildings Design and Build Works (北安多功能政府大樓設計連建造工程)
- Athlete Training and Training Center (運動員培訓及集訓中心)
- Rua Central de Toi San Public Housing (台山中街社會房屋)
- Ká Hó Tunnel (九澳隧道)
- Taipa Passenger Terminal Facilities (氹仔客運碼頭配套設施)

Source: Frost & Sullivan

The table below sets out the planned major construction projects for hotels and casinos:

Project	Approximate development area (thousand sq.m.)	Estimated year of completion	Estimated total investment amount (MOP' billion)
Wynn Palace Phase 2 (永利皇宮第二期)	110	TBC	N/A
Extension of Sands Cotai and The Londoner Macao (金沙城擴建及倫敦人)	N/A	2020	8.9
Studio City Macau Phase 2 (新濠影匯二期)	N/A	TBC	8.1
Lisboeta (葡京人)	141	2020	N/A
Extension of Galaxy Macau Phase 3 and Phase 4 (澳門銀河擴建第三及第四期)	N/A	2019 and 2020	50.0
Libertine	N/A	2021	N/A

Source: Frost & Sullivan

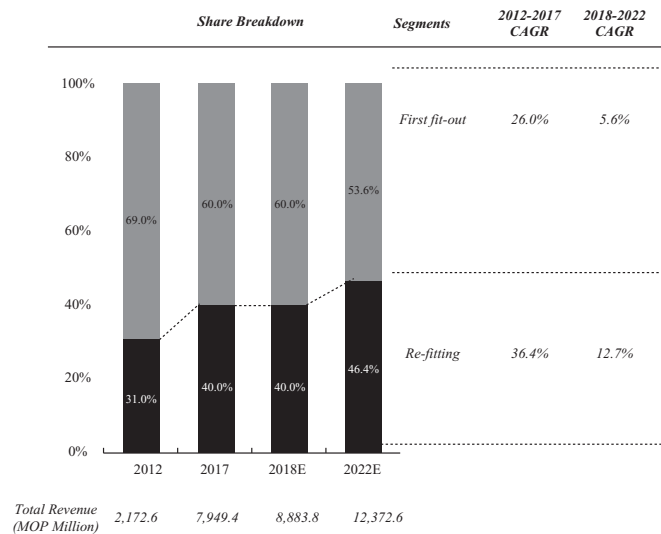


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The aforementioned policies and future development are expected to serve as drivers to the construction market and fitting-out market in Macau from 2018 to 2022.

First fit-out refers to the fitting-out works for new buildings. The development of integrated resorts is the major reason for the increase in first fit-out from approximately MOP1,499.1 million in 2012 to approximately MOP4,769.6 million in 2017, at a CAGR of approximately 26.0%. These development trends would continue to drive the first fit-out to rise from approximately MOP5,330.6 million in 2018 to approximately MOP6,634.0 million in 2022, representing a CAGR of approximately 5.6%.

Re-fitting refers to the fitting-out works for existing buildings. Re-fitting recorded a rapid growth from approximately MOP673.5 million in 2012 to approximately MOP3,179.8 million in 2017 at a CAGR of approximately 36.4%, which was attributable to the construction of integrated resorts from 2012 to 2017 that increased the number of hotels and casinos in Macau. With increased competition, the renovation cycle of integrated resorts is estimated to be further shortened, which would create demand for re-fitting and repair and maintenance services. It is expected that re-fitting would maintain its growth at a CAGR of approximately 12.7% from 2018 to 2022.



Source: Frost & Sullivan

### Market Drivers and Trends

*Sustained investment in integrated resorts* – Re-fitting, which extends the building life and makes the building more desirable and economically valuable, are widely used as the solution to improve the existing facilities and enhance the overall value of the commercial property, namely casinos, hotels, retail areas and offices. With increased competition in the gaming and tourism industries, the integrated resorts operators are reinvesting a large amount of money on the re-fitting to diversify the services offerings and increase market penetration in Macau. Fitting-out is one of the key factors in shaping customer experiences. Refitting works are performed for common area, new retail shops, and the associated entertainment facilities. Upgrade of facilities and adding retails shops is seen in the



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redevelopment plans of major licensed gaming operators, namely Sands China, MGM Macau and Galaxy Macau. The examples of upcoming sizable first fit-out include Galaxy Macau Phase 3 & 4 and Hello Kitty Land. Re-fitting and sustained investment in integrated resorts are expected to give an impetus to the fitting-out market in Macau.

*Development of integrated resort city* – In 2016, the 13th Five Year Plan of China has further reassured the positioning of Macau as the World Centre of Tourism and Leisure to foster the development of Macau as a city for leisure tourism, enhance the overall development of the tourism industry, and promote new development of cultural tourism. Apart from gaming, the city is being built as the world class destination that has a diversity of tourism related services, accommodation options, cultural facilities, retail shops, and various events. With the promotion of integrated resort city, the industry also focuses on the construction of non-gaming features, such as development of MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen. In addition, the expansion, re-fitting and rebranding of entertainment facilities also act as the drivers to the fitting-out industry in Macau. The redevelopment plan includes repairs, renovations, replacements and maintenance of casinos, hotels, retail shops and restaurants. The increasing number of construction and redevelopment projects is forecasted to translate into growth opportunities for the fitting-out industry in Macau.

*Surging demand from diversified tourism development* – The Macau government has been promoting the diversified development of the tourism and leisure industry. As set out in the Tourism Industry Development Master Plan Consultation Paper in 2016, Macau would be positioned as the World Centre of Tourism and Leisure to support the diversified development of the tourism industry and promote development of cultural tourism. The supportive policies are forecasted to boost the tourism industry and will be driving a number of new and existing property development projects including MGM Cotai, City of Dreams Fifth Hotel Tower, THE13, Lisboa Palace. On the other hand, the refitting and repair and maintenance of existing integrated resorts carried out on a regular basis shall also further increase the demand for fitting-out works. These large developments are providing a significant growth potential for the fitting-out market in Macau.

*Rising housing supply* – The rising demand for housing, including subsidised home-ownership scheme (HOS) flats and social rental housing units, has prompted the increase in land supply. As set out in the 2017 Policy Address and information provided by the Lands, Public Works and Transport Bureau (DSSOPT), the government is planning to supply an additional 40,600 public housing units. In particular, the Policy Address highlighted the supply of approximately 12,600 public housing units is the short-to-medium-term planning, and approximately 28,000 public housing units in New Urban Zone Area A, as well as the development of 4,000 private residential units are the long term plans. As predicted, there would be a large number of newly completed housing units in the five-year period from 2021 to 2026. The development plan would increase housing units, recreation and cultural facilities, giving impetus to the fitting-out industry of Macau with those real estate projects.

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### Market Opportunities and Challenges

*Development of regional transport networks* – The rapid development of Hong Kong, Macau and Guangdong Province in recent years has accelerated the economic integration of the three regions, in particular the substantial increase in passenger flow and freight transport between the regions. The construction of the Hong Kong-Zhuhai-Macau Bridge will connect Macau with the road networks of western Pearl River Delta and Hong Kong, in which the transportation cost and time will be substantially reduced. Such improved connectivity brought by the Hong Kong-Zhuhai-Macau Bridge will attract more tourists from Hong Kong and Western Pearl River Delta to Macau, thus further promoting Macau as a tourism and business hub in the region. Increase in passenger and improvement in logistical flow would continue to support the tourism industry and create more business opportunities, thereby supporting the growth in fitting-out industry in Macau.

*Potential growth of redevelopment plans* – The fitting-out industry is highly dependent on the development of the gaming sector and government policies, especially in land supply and planning. The demand for re-fitting and maintenance works is also driven by the strategy and planning of the casinos and hotels operators in Macau. The speed of development and re-fitting of the integrated resorts shows a positive correlation with the needs for fitting works. Integrated resort operators in Macau need to constantly upgrade and refurbish their entertainment facilities, such as VIP junkets and gaming rooms, in order to cope with the competition from other market peers and keep abreast with the market demands and customers’ needs. Generally, casino and hotel owners or operators have fixed budgets reserved for refurbishment or upgrading of their facilities each year.

*Rising cost of labour and raw materials* – Mismatch between the demand and supply for skilled labour is a prolonged issue in Macau fitting-out industry. The rapid development of the construction industry has further aggravated the imbalance between the supply and demand for labour, which raises the wages of workers in the fitting-out industry in Macau. The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to approximately MOP853.1 in 2017, representing a CAGR of approximately 8.2%. Combined with the rising material costs, the rising labour cost is adding challenges to the operation of the fitting-out industry in Macau.

*High demand of skilled labour* – Macau has a relatively small population and shortage of skilled workers had limited the growth of the fitting-out industry. In order to retain and recruit project managers, experienced engineers, skilled workers and specialist contractors, increased competition is seen among the fitting-out companies. As the number of fitting-out projects increases, the demand for skilled labour rises accordingly. Meanwhile, there was a trend of growing number of ageing workers in the industry. As a result, high demand of skilled labour becomes a key constraint to fitting-out industry in Macau.

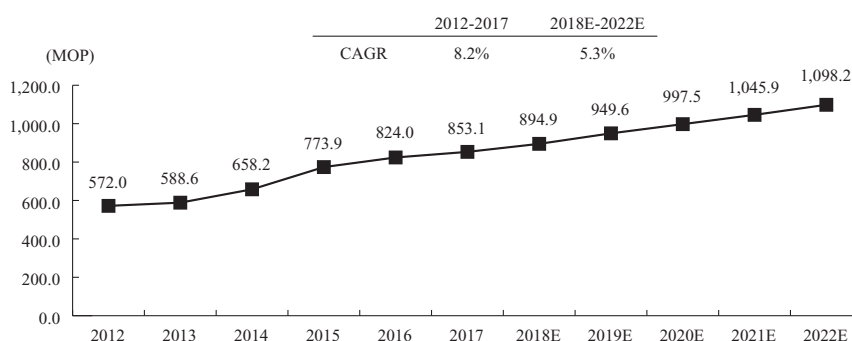
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### COST STRUCTURE ANALYSIS

#### Labour Cost

The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to MOP853.1 in 2017, representing a CAGR of approximately 8.2%. The prolonged labour shortage and rising demand for fitting-out works from 2012 to 2017 have added to the mismatch between labour supply and demand, leading to the continued rise of daily wages of fitting-out workers. Given the development of integrated resort and re-positioning of tourism industry, more non-gaming amenities and infrastructure would be built. The average daily wages of fitting-out workers in Macau is expected to rise in the future. The average daily wages of fitting-out workers in Macau is forecasted to reach approximately MOP1,098.2 in 2022 at the CAGR of approximately 5.3% from 2018 to 2022.

**Average Daily Wages of Fitting-out Workers (Macau), 2012-2022E**



Source: Macau Statistics Department; Frost & Sullivan

#### Fitting-out Materials

Specific fitting-out materials, include tiles, carpet, wall coverings, marble, ironmongeries and fabrics, may vary significantly in price subject to, quality, rarity, availability of substitutes and place of origin. While general fitting-out materials include, among others, sand, concrete and aggregates, experienced a steady increase in price from 2012 to 2017, primarily due to the continued growth in the property market and construction industry in Macau. The price increase in general fitting-out materials from 2012 to 2017 was driven by the rising demand and the continuous development of construction market in Macau.

The price increase of fitting-out materials is based on the assumption that the macro factors of the fitting-out market in Macau are likely to remain stable; diversified development in tourism and leisure gives a rise to the fitting-out industry in Macau; accelerated development in integrated resort city creates greater demand for fitting-out works; and impetus from surging demand for new construction in gaming and hospitality sectors would have positive impact on the fitting-out market in Macau. The rise in price of raw materials of fitting-out works is due to the continued growth in the property and construction market from 2018 and 2022.

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### Price Trends of General Fitting-out Materials (Macau), 2012-2022E

	Unit	2012	2013	2014	2015	2016	2017	2018	2022E	CAGR 2012-2017	CAGR 2018-2022
Sand	m <sup>3</sup>	119	135.35	154	197.5	235.49	222.7	249.4	392.4	13.4%	12.0%
Concrete	m <sup>3</sup>	444	544	666	779.25	936.70	804.5	885	1,295.6	12.6%	10.0%
Aggregates (gravel and crushed stones)	m <sup>3</sup>	85.625	88.975	93.8	95.3	98.17	100.8	103.1	112.9	3.3%	2.3%
Clamping plate (plywood)	m <sup>2</sup>	59.85	60.25	60.6	59.1	59.25	58.3	58.2	57.7	-0.5%	-0.2%
Ordinary wood column	m <sup>3</sup>	2,465	2,565.75	2,621.5	2,599.25	2,678.10	2,620.2	2,641.2	2,726.6	1.2%	0.8%
Door frame (San Cheong)	unit	288.75	309.25	323.5	336.25	358.45	361.2	368.4	398.7	4.6%	2.0%
Floor-board (teak)	m <sup>2</sup>	220.5	221.25	221.5	232.75	243.49	239	241.9	253.6	1.6%	1.2%
Clamping plate (teak)	m <sup>2</sup>	35.125	35.35	37	37.375	38.66	39.4	39.9	41.8	2.3%	1.2%
Ordinary clear sheet glass	m <sup>2</sup>	90.15	93.45	95	92.225	96.05	93.2	93.7	95.5	0.7%	0.5%
Toughened glass	m <sup>2</sup>	275.75	284.25	288	287.25	293.77	295.7	298.1	307.7	1.4%	0.8%
Emulsion paint	litre	26.8	27.725	28.375	29.6	30.70	30.3	30.6	32	2.5%	1.1%

Source: Macau Statistics Department; Frost & Sullivan

## COMPETITIVE LANDSCAPE OF FITTING-OUT MARKET IN MACAU

### Overview of Competitive Landscape

The fitting-out market in Macau is competitive, with approximately 200 participants in the market in 2017. The fitting-out market in Macau is relatively concentrated with the top five players contributing to approximately 28.3% of the entire market in terms of revenue. Our Group recorded revenue of approximately MOP188.1 million for the provision of fitting-out services, accounting for approximately 2.4% of the market share in Macau. In 2017, our Group is the fifth largest fitting-out contractor in Macau in terms of revenue.

### Ranking and Market Share of Leading Fitting-out Contractors by Revenue (Macau), 2017

Rank	Company	Estimated Revenue in 2017 (MOP Million)	Approximate Market Share (%)
1	Company A	1,223.1	15.4
2	Company B	332.9	4.2
3	Company C	297.3	3.7
4	Company D	210.0	2.6
5	Our Group	188.1	2.4
	Top five subtotal	2,251.4	28.3
	Others	5,698.0	71.7
	Total revenue of Fitting-out works in Macau	7,949.4	100.0

Source: Frost & Sullivan

Remarks:

1. Company A is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.

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2. Company B is a Macau-based contractor for construction works, including building, structure works, electrical & mechanical, drainage, fitting-out, repair and maintenance works.
3. Company C is a fitting-out and construction service provider in Macau.
4. Company D specialises in fitting-out works as an integrated fitting-out contractor, construction works as a main contractor and repair and maintenance works in Macau.

In the commercial fitting-out market, the top five market participants contributed to approximately 35.7% of the entire market in terms of revenue. Our Group recorded revenue of approximately MOP185.9 million for the provision of fitting-out services in the commercial segment, accounting for approximately 4.3% of the market share in Macau. In 2017, our Group is the third largest commercial fitting-out contractor in Macau in terms of revenue.

### Ranking and Market Share of Commercial Fitting-out Contractors by Revenue (Macau), 2017

Rank	Company	Estimated Revenue in 2017 (MOP Million)	Approximate Market Share (%)
1	Company A	850.0	19.8
2	Company B	200.0	4.7
3	Our Group	185.9	4.3
4	Company E	158.9	3.7
5	Company D	136.5	3.2
	Top five subtotal	1,531.3	35.7
	Others	2,752.6	64.3
	Total revenue of commercial Fitting-out works in Macau	4,283.9	100.0

Source: Frost & Sullivan

Remarks:

1. Company A is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.
2. Company B is a Macau-based contractor for construction works, including building, structure works, electrical & mechanical, drainage, fitting-out, repair and maintenance works.
3. Company E is a Macau-based fitting-out contractor, specialising in commercial segment.
4. Company D specialises in fitting-out works as an integrated fitting-out contractor, construction works as a main contractor and repair and maintenance works in Macau.

### Entry Barrier

*High capital requirements* – Fitting-out is considered as a capital intensive business due to the fact that preparation works such as purchase of specialised fitting-out materials, fees payable to sub-contractors and recruitment of direct labour and issuance of performance bond constitute as key working capital items for contractors. In particular, substantial working capital investment is often required for making prepayment or deposits to suppliers and subcontractors and for providing performance bonds to customers. As a result, capital requirements serve as a key barrier for new market participants without sufficient financial capabilities.

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## INDUSTRY OVERVIEW

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*Technical know-how and proven track record* – As a specialised field of construction industry, fitting-out service requires strong technical knowledge, from tile laying, brick laying, plastering, floor screed to marble works. Successful delivery of fitting-out services relies on competency in project management. In Macau, sizable fitting-out projects are usually undertaken by contractors with proven track record in management and coordination. Attributable to the complexity of fitting-out works with different specialised sub-segments, substantial experience in project management is considered as pre-requisite in fitting-out industry. Industry expertise combined with track record serves as a key barrier for new entrants in the fitting-out industry in Macau.

*Good relationship with stakeholders* – Existing market participants generally maintain an established relationship with stakeholders such as project owners, main contractors, sub-contractors and material suppliers while new market entrants without previous experience and connection in the industry face difficulties in securing business or commencing fitting-out services. With the long-standing partnership with clients, some companies are on tender lists of the clients and are eligible for tender submission and quotation invitation. The good relationship with clients places the companies at the competitive position to secure service contracts in Macau, where the fitting-out market is mainly driven by the gaming and tourism industry.