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## Macau E&M Holding Limited

### 濠江機電控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1408)**

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Macau E&M Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.6.2021</b>	30.6.2020
		<b>MOP'000</b>	MOP'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	3	<b>89,635</b>	126,408
Cost of services		<b>(60,091)</b>	(96,592)
Gross profit		<b>29,544</b>	29,816
Other income	4	<b>518</b>	214
Impairment losses under expected credit loss model, net of reversal		<b>(397)</b>	(136)
Administrative expenses		<b>(6,152)</b>	(3,506)
Finance costs		<b>(29)</b>	(41)
Listing expenses		<b>–</b>	(6,998)
Profit before tax		<b>23,484</b>	19,349
Income tax expense	5	<b>(2,642)</b>	(3,090)
Profit and total comprehensive income for the period		<b>20,842</b>	16,259
Basic earnings per share ( <i>MOP cents</i> )	7	<b>4.17</b>	4.10

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	436	452
Right-of-use assets		1,174	1,483
Deposits	12	13,694	13,838
		<u>15,304</u>	<u>15,773</u>
<b>Current assets</b>			
Contract assets	10	74,616	51,371
Trade and other receivables	12	57,421	40,218
Pledged bank deposits	13	1,872	–
Short term bank deposits	13	82,776	62,651
Bank balances and cash	13	55,638	90,832
		<u>272,323</u>	<u>245,072</u>
<b>Current liabilities</b>			
Contract liabilities	11	38,054	11,180
Trade and other payables	14	9,431	32,557
Lease liabilities	15	848	1,018
Tax liabilities		8,246	5,604
		<u>56,579</u>	<u>50,359</u>
<b>Net current assets</b>		<u>215,744</u>	<u>194,713</u>
<b>Non-current liability</b>			
Lease liabilities	15	34	314
<b>Net assets</b>		<u>231,014</u>	<u>210,172</u>
<b>Capital and reserves</b>			
Share capital	16	5,150	5,150
Reserves		225,864	205,022
<b>Total equity</b>		<u>231,014</u>	<u>210,172</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note a)	Other reserves MOP'000 (Note b)	Retained earnings MOP'000	Total MOP'000
At 1 January 2020 (audited)	–*	35,569	30	(35,509)	102,341	102,431
Profit and total comprehensive income for the period	–	–	–	–	16,259	16,259
At 30 June 2020 (unaudited)	–*	35,569	30	(35,509)	118,600	118,690
At 1 January 2021 (audited)	5,150	111,487	30	(35,509)	129,014	210,172
Profit and total comprehensive income for the period	–	–	–	–	20,842	20,842
At 30 June 2021 (unaudited)	5,150	111,487	30	(35,509)	149,856	231,014

*Note a:* In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau are required to transfer a minimum of 25% of the profit after taxation each year to the legal reserve until the balance meet 50% of their registered capital. The reserve is not distributable to shareholders.

*Note b:* The balance of other reserves as at the end of each reporting period represents the difference between the carrying amount of total equity of Kento Engineering Co. Ltd (“**Kento**”) and the consideration satisfied by the way of issue of shares by the Company for acquisition of Kento by Macau E&M Company Limited, pursuant to the reorganization.

\* less than MOP1,000

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021 MOP'000 (Unaudited)	30.6.2020 MOP'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	23,484	19,349
Adjustments for:		
Finance costs	29	41
Depreciation of		
— Property, plant and equipment	150	154
— Right-of-use assets	380	323
Impairment loss under expected credit loss model, net of reversal	397	136
Bank interest income	(515)	(7)
Operating cash flows before movements in working capital	<u>23,925</u>	<u>19,996</u>
(Increase) decrease in contract assets	(23,477)	22,371
Increase in trade and other receivables	(17,069)	(4,244)
Increase (decrease) in contract liabilities	26,874	(10,159)
Decrease in trade and other payables	(23,127)	(13,953)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<u>(12,874)</u>	<u>14,011</u>
<b>INVESTING ACTIVITIES</b>		
Interest received	359	7
Purchase of property, plant and equipment	(133)	—
Withdrawal of short term bank deposits	62,651	—
Placement of short term bank deposits	(82,776)	—
Withdrawal of pledged bank deposits	—	2,631
Placement of pledged bank deposits	(1,872)	(2,634)
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<u>(21,771)</u>	<u>4</u>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(29)	(41)
Repayment of lease liabilities	(520)	(382)
Share issue costs paid	—	(1,488)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(549)</u>	<u>(1,911)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(35,194)</u>	<u>12,104</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>90,832</u>	<u>34,038</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>	<u><u>55,638</u></u>	<u><u>46,142</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below regarding the changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the consolidated financial statements for the year ended 31 December 2020 of the Company and its subsidiaries (collectively referred to as the “Group”).

### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to IFRSs issued by IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16  
Amendments to IFRS 9, IFRS 39,  
IFRS 7, IFRS 4 and IFRS 16

COVID-19-Related Rent Concessions  
Interest Rate Benchmark Reform — Phase 2

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on electrical and mechanical engineering works and maintenance and repair services.

For the purpose of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker, and the directors of the operating subsidiary, review the overall results and financial position of the Group. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from construction contracts</b>		
Electrical and mechanical engineering works	<b>87,309</b>	124,541
<b>Provision of services</b>		
Maintenance and repair services	<b>2,326</b>	1,867
	<b>89,635</b>	126,408
<b>Timing of revenue recognition</b>		
Over time	<b>89,635</b>	126,408

#### Geographical information

The Group's revenue is all derived from operations in Macau and the Group's non-current assets are all located in Macau.

### 4. OTHER INCOME

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>515</b>	7
Government grants	<b>–</b>	200
Others	<b>3</b>	7
	<b>518</b>	214

## 5. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profits Tax	<b>10</b>	–
Macau Complementary Tax	<b>2,632</b>	3,090
	<hr/>	<hr/>
Income tax expense relating to continuing operations	<b>2,642</b>	3,090
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax is subject to tax rate of 8.25%. The Group's remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5%.

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

## 6. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	<b>2,004</b>	360
Other staff costs:		
Salaries, bonus and other allowances	<b>8,094</b>	10,571
	<hr/>	<hr/>
Total staff costs	<b>10,098</b>	10,931
Less: amounts included in cost of services	<b>(6,250)</b>	(8,720)
	<hr/>	<hr/>
	<b>3,848</b>	2,211
	<hr/>	<hr/>
Depreciation of		
— property, plant and equipment	<b>150</b>	154
— right-of-use assets	<b>380</b>	323
	<hr/> <hr/>	<hr/> <hr/>

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share	<u><b>20,842</b></u>	<u>16,259</u>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u><b>500,000</b></u>	<u>396,900</u>

The amounts of basic and diluted earnings per share are the same as there were no potential ordinary shares in issue for both period(s).

## 8. DIVIDENDS

No dividend paid or proposed for shareholders of the Company for the year ended 31 December 2020 and for the six months ended 30 June 2021 and 2020.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired approximately MOP133,000 (six months ended 30 June 2020: nil) property, plant and equipment, mainly including motor vehicle and office equipment.



## 10. CONTRACT ASSETS

	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> (Audited)
Contract assets from contract with customers	<b>75,012</b>	51,535
Less: Allowance for credit losses	<b>(396)</b>	(164)
	<b>74,616</b>	51,371
	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> (Audited)
Represented by:		
Electrical and mechanical engineering works	<b>74,402</b>	51,201
Maintenance and repair services	<b>214</b>	170
	<b>74,616</b>	51,371
	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> (Audited)
Analysed as current		
Unbilled revenue	<b>63,171</b>	44,804
Retention receivables	<b>11,445</b>	6,567
	<b>74,616</b>	51,371

The contract assets primarily relate to the Group's rights to consideration for works completed and not billed because the rights are conditional on the Group's future performances. The contract assets are transferred to trade receivables when the rights become unconditional.

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.

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

As at 30 June 2021, retention money held by customers for contract works amounted to approximately MOP11,445,000 (31 December 2020: MOP6,567,000). Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contract ranging from 1 year to 2 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.

	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> (Audited)
Within one year	<b>5,543</b>	1,657
After one year	<b>5,902</b>	4,910
	<b><u>11,445</u></b>	<b><u>6,567</u></b>

As at 30 June 2021, included in the Group's retention money are debtors with a carrying amount of MOP820,000 (31 December 2020: MOP1,009,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

## 11. CONTRACT LIABILITIES

	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> (Audited)
Contract liabilities from contract with customers in relation to electrical and mechanical engineering works	<b>38,054</b>	11,180

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

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

### Construction contracts

When the Group receives upfront payments or cash advances before electrical and mechanical engineering works commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contracts exceeds the amount of the cash advances.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> <b>(Audited)</b>
Trade receivables	<b>56,056</b>	39,439
Less: Allowance for credit losses	<b>(295)</b>	(129)
	<b>55,761</b>	39,310
Other debtors, deposits and prepayments		
— Deposits	<b>14,684</b>	14,002
— Prepayments	<b>127</b>	506
— Other receivables	<b>543</b>	238
	<b>15,354</b>	14,746
	<b>71,115</b>	54,056
Analysed as:		
Current	<b>57,421</b>	40,218
Non-current	<b>13,694</b>	13,838
	<b>71,115</b>	54,056

The Group allows an average credit period of 0 to 60 days to its customers. The aging analysis of the Group's trade receivables, based on invoice date at the end of each reporting period are as follows:

	<b>30.6.2021</b> <i>MOP'000</i> <b>(Unaudited)</b>	31.12.2020 <i>MOP'000</i> <b>(Audited)</b>
0–30 days	<b>44,311</b>	20,196
31–60 days	<b>2,867</b>	969
61–90 days	<b>441</b>	1,175
Over 90 days	<b>8,437</b>	17,099
	<b>56,056</b>	39,439

As at 30 June 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately to MOP11,745,000 (31 December 2020: MOP19,243,000), which are past due. Out of the past due balances approximately MOP7,757,000 (31 December 2020: MOP13,210,000) have been past due over 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience.

### 13. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. As at 30 June 2021, the pledged bank deposits carried interest rate at 1.1% to 1.3% per annum and with an original maturity of 2 to 12 months.

At 30 June 2021, the short-term bank deposits carried interest rates ranging from 1.2% to 1.4% per annum (31 December 2020: 1.2% to 1.9%) and with original maturity more than three months (31 December 2020: more than three months).

The bank balances carry interest at prevailing market rates of 0.01% (31 December 2020: 0.01%) per annum.

### 14. TRADE AND OTHER PAYABLES

	<b>30.6.2021</b> <i>MOP'000</i> (Unaudited)	31.12.2020 <i>MOP'000</i> (Audited)
Trade payables	3,335	19,498
Other payables and accrued charges		
— Accrued staff bonus	—	4,100
— Other payables and accruals	<u>6,096</u>	<u>8,959</u>
	<u><b>9,431</b></u>	<u>32,557</u>

The credit period on trade payables 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:

	<b>30.6.2021</b> <i>MOP'000</i> (Unaudited)	31.12.2020 <i>MOP'000</i> (Audited)
0–90 days	2,028	19,498
91–365 days	<u>1,307</u>	<u>—</u>
	<u><b>3,335</b></u>	<u>19,498</u>

No retention payable is held at the end of the reporting period, which is interest-free and payable at the end of defect liability period of individual contracts ranging from one to two years from the date of completion of the respective project.

## 15. LEASE LIABILITIES

	<b>30.6.2021</b> <b>MOP'000</b>	31.12.2020 <i>MOP'000</i>
Lease liabilities payable:		
Within one year	<b>848</b>	1,018
Within a period of more than one year but not more than two years	<b>34</b>	312
Within a period of more than two years but not more than five years	–	2
	<b>882</b>	1,332
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(848)</b>	(1,018)
Amount due for settlement after 12 months shown under non-current liability	<b>34</b>	314

The weighted average incremental borrowing rate applied to lease liabilities is 5% (2020: 5%).

## 16. SHARE CAPITAL OF THE COMPANY

	<b>Number of shares</b>	<b>Share capital</b> <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020 and 30 June 2020	38,000,000	391
Increase in authorised share capital	1,962,000,000	20,209
At 1 January 2021 and 30 June 2021	<b>2,000,000,000</b>	<b>20,600</b>
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	1,000	–*
Issue of shares pursuant to capitalisation issue ( <i>note a</i> )	396,899,000	4,088
Issue of shares pursuant to public offering ( <i>note b</i> )	103,100,000	1,062
At 1 January 2021 and 30 June 2021	<b>500,000,000</b>	<b>5,150</b>

\* *less than MOP1,000*

*Notes:*

- (a) On 21 August 2020, the Company increased its authorised share capital from HK\$380,000 (equivalent to MOP391,400) divided into 38,000,000 ordinary shares of HK\$0.01 each to HK\$20,000,000 (equivalent to MOP20,600,000) divided into 2,000,000,000 ordinary shares of HK\$0.01 each.

On 11 September 2020, a total of 396,899,000 ordinary shares were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK\$3,968,990 (equivalent to MOP4,088,060) 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.

- (b) On 11 September 2020, 103,100,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$1.00 (equivalent to MOP1.03) by way of public offering. On the same date, the Company's shares were listed on the Stock Exchange.

## 17. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for each performance of contract works in the form of performance bonds and secured by pledged bank deposits (note 13). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	<b>30.6.2021</b>	31.12.2020
	<b>MOP'000</b>	MOP'000
	<b>(Unaudited)</b>	(Audited)
Issued to the Group by banks	<u><b>6,698</b></u>	<u>–</u>

As at 30 June 2021, the Group has obtained total credit facilities of approximately MOP144,410,000 (31 December 2020: MOP5,158,000) for the issuance of performance bonds and these credit facilities were secured by corporate guarantee and the promissory notes of approximately MOP158,851,000 (31 December 2020: MOP5,673,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The outbreak of COVID-19 has continued to affect economies across the world. However, following the mass roll out of COVID-19 vaccination programs in many countries, the global economy is on the road to recovery. During the first half of 2021, the relaxation of border controls and social distancing measures in Macau contributed to an increase in tourist arrivals, which has brought positive impacts to its economy. With a greater number of Macau's citizens becoming fully vaccinated, it is expected that there will be a further relaxation of border controls in the near future, with the aim of boosting the economy. Nevertheless, the entire electrical and mechanical (“E&M”) industry suffered at the impact of the pandemic, projects has been cancelled and new projects have had their budget squeezed since the onset of the pandemic. As an E&M engineering services works contractor, the Group expects its performance to recover following the rebound of the tourism and gaming industries.

During the pandemic, the Group has continued to explore new opportunities to develop its business and expand its customer base. As at 30 June 2021, the Group had 30 projects on hand, including both public sector and private sector projects. Furthermore, the Group has continued to submit new project tenders to maintain business and revenue growth. During the review period, the Group successfully secured two large tender projects, with a total value of more than MOP67.0 million.

The Group did not encounter any project suspensions and cancellation during the review period. However, as the economic situation under the pandemic remained uncertain, the Group experienced a delay in the overall progress of some projects, downsizing of new project tendering scales by casino entertainment corporations and stringent cost control of governmental projects in the first half of 2021. In view of this, the Group's revenue decreased by approximately 29.0% to MOP89.6 million. Gross profit was MOP29.5 million, representing a 1% decrease over the corresponding period of the previous year, and the gross profit margin was 33.0%.

The Group's overall performance has been in line with the management's expectations, with a stable financial position enabling it to overcome the global economic crisis brought about by the COVID-19 pandemic. As at 30 June 2021, the Group had cash and bank balances (including short-term bank deposits and pledged bank deposits) of MOP140.3 million and net current assets of approximately MOP215.7 million.

## **FINANCIAL REVIEW**

### **Revenue**

Even though no project cancellation and suspension within the Group, the revenue for the Period has decreased by MOP36.8 million or 29.1%, which was mainly due to the poor operating environment in the overall construction industry in Macau with the impact of pandemic. The decrease in the number of awarded new projects and their margin because some new projects have been on hold or had stringent cost control in Macau. Moreover, some of the current project progresses have been slowed down or prolonged as requested by customers. These are the combination effects due to the decrease of revenue.

### **Gross profit and gross profit margin**

The Group's gross margin increased from 23.6% for the six months ended 30 June 2020 (the "Previous Period") to 33.0% for the Period, because higher profit margin has been included in project variance orders and cost saving on overtime man-day with lower daily rate as project completion dates have been prolonged.

### **Other income**

Other income for the Period increased to MOP0.5 million or 142.1%, which was mainly attributable to the interest generated from fixed deposits.

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

The Group's impairment losses of trade receivables and contract assets were approximately MOP0.4 million for the Period (Previous Period: MOP0.1 million). The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the Group has estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

### **Administrative expenses**

Administrative expenses for the Period increased by MOP2.6 million or 75.4% due to the professional service fee for the amount of MOP1.3 million increased after the Company listed on 11 September 2020, and the increase in administrative headcount and salary increment.

### **Income tax expense**

Income tax expense for the Period decreased by MOP0.4 million or 14.5% primarily due to the decrease of profit before tax.



## **Profit for the Period**

The Group's net profit before listing expenses for the Period decreased by approximately MOP2.4 million or 10.4%, which was due to the downturn of the global economy which has affected the overall industry, and the professional service fee has led to the increase of administrative expenses.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

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

As at 30 June 2021, the Group had net current assets of MOP215.7 million (31 December 2020: MOP194.7 million). The current ratio of the Group as at 30 June 2021 was 4.8 (31 December 2020: 4.9). The Group continued to maintain a stable liquidity position.

As at 30 June 2021, the Group had a total cash and bank balances (including short-term bank deposits and pledge bank deposits) of MOP140.3 million (31 December 2020: MOP153.5 million).

As at 30 June 2021, the Group had no bank borrowings (31 December 2020: nil).

As at 30 June 2021, the Group's equity amounted to MOP231.0 million (31 December 2020: MOP210.2 million).

## **GEARING RATIO**

The gearing ratio of the Group as at 30 June 2021 was nil (31 December 2020: nil) as the group had no outstanding loans and borrowings or bank overdrafts as at 30 June 2021. The gearing ratio is calculated as the borrowings divided by the total equity as at the end of the respective period and multiplied by 100%.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK\$") and MOP. As at 30 June 2021, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

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

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

Save as disclosed under section headed “Use of Net Proceeds from the Global Offering” in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”), the Group did not have other plans for material investments or additions of capital assets as at the date of this announcement. As at the date of this announcement, the Board had not authorised any plan for material investments or acquisition of capital assets.

### USE OF NET PROCEEDS FROM GLOBAL OFFERING

The net proceeds raised from the listing were HK\$51.6 million (equivalent to approximately MOP53.1 million) after deducting underwriting fees and commissions and all related expenses. Details of the proposed applications of such net proceeds are disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The following table sets out the proposed usage of the net proceeds in the manner as disclosed in the Prospectus and the actual usage up to 30 June 2021:

	Proposed usage in the manner as disclosed in the Prospectus <i>HK\$'million</i>	Utilised as of 31 December 2020 <i>HK\$'million</i>	Utilised as of 30 June 2021 <i>HK\$'million</i>	Balance as of 30 June 2021 <i>HK\$'million</i>	Expected timeline
Funding part of the specific material costs & the upfront expenditure	32.8	25.2	27.5	5.3	On or before 31 December 2021
Financing the issuance of performance bonds	11.4	11.4	11.4	0	–
Recruiting additional skilled professionals & labour	5.7	0.1	0.2	5.5	On or before 31 December 2021
Acquiring additional construction machineries & equipment	1.7	0	0	1.7	On or before 31 December 2021
	<u>51.6</u>	<u>36.7</u>	<u>39.1</u>	<u>12.5</u>	

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had outstanding performance bonds amounted to MOP6.7 million (31 December 2020: nil) and obtained total credit facilities of approximately MOP144.4 million (31 December 2020: MOP5.2 million) for the issuance of performance bonds. These credit facilities were secured by the promissory notes of approximately MOP158.9 million (31 December 2020: MOP5.7 million).

Save as disclosed above, the Group had pledged bank deposits of MOP1.9 million as at 30 June 2021 (31 December 2020: nil) and no other significant contingent liability.

## **COMMITMENTS**

As at 30 June 2021, the Group did not have any significant capital commitments (31 December 2020: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

The Group entered into labour contracts with its employees in accordance with the labour laws of Macau. The remuneration package offered to employees generally includes basic salaries, allowances, benefits-in-kind and bonus. In general, the Group determines package of its employees based on each employee's qualification, position and seniority.

As a main contractor for some of the projects the Group undertakes, the Group applies for work permits for its non-Macau resident workers on a project-by-project basis. As at 30 June 2021, the Group had 63 (31 December 2020: 73) employees in Macau, comprising 42 Macau residents and 21 non-Macau residents (31 December 2020: 43 Macau residents and 30 non-Macau residents).

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 August 2020, 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. Since the adoption of the Share Option Scheme and up to 30 June 2021, no share option had been granted under the Share Option Scheme.

## **PROSPECTS**

In the first half of 2021, COVID-19 vaccination programmes were rolled out in an orderly manner in various countries, and this, coupled with the relaxation of border controls, has led to a gradual increase in the number of tourist arrivals. At the same time, the Macau government has announced a new phase of its local consumption stimulation scheme, with the aim of stimulating consumption sentiment and thus boosting the economy. The COVID-19 pandemic continues to spread around the globe and pose a lot of uncertainties to the global market, and the recovery of the global economy will continue to be subject to the impact of the pandemic. Thus, the Group believes that the E&M industry in Macau will remain more or less the same in the second half of 2021, as the prospect of Macau's economic recovery remains uncertain.

Despite the industry is facing the downsizing of the scale of some projects and more stringent controls on cost, the Group is optimistic about the long-term development of the E&M and construction industries in Macau. Setting its sights on achieving a more sustainable business and capitalizing on marketing opportunities, the Group will continue exploring new business opportunities to tender additional new projects in the second half of 2021. Going forward, the Group will also continue to purchase new construction equipment and develop its pool of talent in order to enhance productivity and efficiency.

The Directors believe that in light of its established track record in both the public and private sectors, the Group is well positioned to capture opportunities brought by a stable market, and thus achieve better business growth.

## **CORPORATE GOVERNANCE PRACTICES**

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

The Group's corporate governance practices are in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules except for the deviation from CG Code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheong Ka Wo ("**Mr. Cheong**") is currently the chairman and chief executive officer of the Company. In view of the fact that Mr. Cheong has been assuming the responsibilities in the overall management and supervision of the daily operations of the Group since the establishment of Kento Engineering Co. Ltd. (a wholly-owned subsidiary of the Group) in January 2011, the Board believes that it is in the best interest of the Group to have Mr. Cheong taking up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

## **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 since the listing. 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 by the Model Code from dealing as if he/she were a Director. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) consists of three members, namely Mr. Law Lap Tak, Ms. Lee Sze Ming and Mr. Chan Ming Kit, all being independent non-executive Directors. The Audit Committee is chaired by Mr. Law Lap Tak who has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and this announcement. The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have not been audited or reviewed by external auditor of the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

After the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events after the reporting period.

By order of the Board  
**Macau E&M Holding Limited**  
**Cheong Ka Wo**  
*Chairman*

Hong Kong, 26 August 2021

*As of the date of this announcement, the board of directors of the Company comprises Mr. Cheong Ka Wo and Mr. Leong Kam Leng as executive Directors; Mr. Law Lap Tak, Ms. Lee Sze Ming and Mr. Chan Ming Kit as independent non-executive Directors.*