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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 2022

### 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 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30 June 2022

		Six months ended	
	Notes	30 June 2022	30 June 2021
		MOP'000	MOP'000
		(Unaudited)	(Unaudited)
Revenue	3	87,236	89,635
Cost of services		(71,439)	(60,091)
Gross profit		15,797	29,544
Other income	4	821	518
Impairment losses under expected credit loss model, net of reversal		(274)	(397)
Administrative expenses		(6,683)	(6,152)
Finance costs		(20)	(29)
Profit before tax		9,641	23,484
Income tax expense	5	(1,240)	(2,642)
Profit and total comprehensive income for the period	6	8,401	20,842
Earnings per share (MOP cents)	7	1.68	4.17

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	193	301
Right-of-use assets		1,863	1,793
Deposits	12	13,734	13,788
		<b>15,790</b>	15,882
<b>Current assets</b>			
Contract assets	10	53,487	45,342
Trade and other receivables	12	56,335	37,674
Pledged bank deposits	13	1,600	1,874
Short term bank deposits	13	43,980	124,535
Bank balances	13	81,660	49,635
		<b>237,062</b>	259,060
<b>Current liabilities</b>			
Contract liabilities	11	–	402
Trade and other payables	14	33,533	33,591
Lease liabilities	15	901	658
Tax liabilities		4,106	3,188
		<b>38,540</b>	37,839
<b>Net current assets</b>		<b>198,522</b>	221,221
<b>Non-current liability</b>			
Lease liabilities	15	447	693
<b>Net assets</b>		<b>213,865</b>	236,410
<b>Capital and reserves</b>			
Share capital	16	5,150	5,150
Reserves		208,715	231,260
<b>Total equity</b>		<b>213,865</b>	236,410

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2022*

	Share capital <i>MOP'000</i>	Share premium <i>MOP'000</i>	Legal reserve <i>MOP'000</i> <i>(Note a)</i>	Other reserves <i>MOP'000</i> <i>(Note b)</i>	Retained earnings <i>MOP'000</i>	Total <i>MOP'000</i>
At 1 January 2021 (audited)	5,150	111,487	30	(35,509)	129,014	210,172
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,842</u>	<u>20,842</u>
At 30 June 2021 (unaudited)	<u>5,150</u>	<u>111,487</u>	<u>30</u>	<u>(35,509)</u>	<u>149,856</u>	<u>231,014</u>
At 1 January 2022 (audited)	<b>5,150</b>	<b>111,487</b>	<b>30</b>	<b>(35,509)</b>	<b>155,252</b>	<b>236,410</b>
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,401</u>	<u>8,401</u>
Dividend paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(30,946)</u>	<u>(30,946)</u>
At 30 June 2022 (unaudited)	<u><b>5,150</b></u>	<u><b>111,487</b></u>	<u><b>30</b></u>	<u><b>(35,509)</b></u>	<u><b>132,707</b></u>	<u><b>213,865</b></u>

*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 way of issue of shares by the Company for acquisition of Kento by Macau E&M Company Limited, pursuant to the reorganization.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2022*

	<b>Six months ended</b>	
	<b>30 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	9,641	23,484
Adjustments for:		
Finance costs	20	29
Depreciation of		
— Property, plant and equipment	112	150
— Right-of-use assets	466	380
Impairment losses under expected credit loss model, net of reversal	274	397
Bank interest income	(808)	(515)
Operating cash flows before movements in working capital	9,705	23,925
Increase in contract assets	(8,214)	(23,477)
Increase in trade and other receivables	(18,711)	(17,069)
(Decrease) increase in contract liabilities	(402)	26,874
Decrease in trade and other payables	(58)	(23,127)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(17,680)</b>	<b>(12,874)</b>
Income tax paid	(322)	—
<b>NET CASH USED IN OPERATIONS</b>	<b>(18,002)</b>	<b>(12,874)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	707	359
Purchase of property, plant and equipment	(4)	(133)
Redemption of short term bank deposits	124,535	62,651
Placement of short term bank deposits	(43,980)	(82,776)
Redemption of pledged bank deposits	274	—
Placement of pledged bank deposits	—	(1,872)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>81,532</b>	<b>(21,771)</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(20)	(29)
Repayment of lease liabilities	(539)	(520)
Dividend paid	(30,946)	—
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(31,505)</b>	<b>(549)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,025</b>	<b>(35,194)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>49,635</b>	<b>90,832</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances</b>	<b>81,660</b>	<b>55,638</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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 2022 are the same as those presented in the consolidated financial statements for the year ended 31 December 2021 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

### 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 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue from construction contracts</b>		
Electrical and mechanical engineering works	<b>85,538</b>	87,309
<b>Provision of services</b>		
Maintenance and repair services	<b>1,698</b>	2,326
	<b>87,236</b>	89,635
<b>Timing of revenue recognition</b>		
Over time	<b>87,236</b>	89,635
<b>Geographical information</b>		

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 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	<b>808</b>	515
Others	<b>13</b>	3
	<b>821</b>	518

## 5. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profits Tax	–	10
Macau Complementary Tax	<u>1,240</u>	<u>2,632</u>
Income tax expense relating to continuing operations	<u><u>1,240</u></u>	<u><u>2,642</u></u>

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 has HK\$2.9 million loss brought forward from prior year, after the deduction, no assessable profit was derived for the Period.

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 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	2,586	2,004
Other staff costs:		
Salaries and other allowances	<u>8,223</u>	<u>8,094</u>
Total staff costs	10,809	10,098
Less: amounts included in cost of services	<u>(6,204)</u>	<u>(6,250)</u>
	<u><u>4,605</u></u>	<u><u>3,848</u></u>
Depreciation of		
— property, plant and equipment	112	150
— right-of-use assets	<u>466</u>	<u>380</u>

## 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 June 2022</b>	30 June 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share	<u><b>8,401</b></u>	<u>20,842</u>
	<i>'000</i>	<i>'000</i>
<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>500,000</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

A final dividend and a special dividend in respect of the year ended 31 December 2021 of HK2.03 cents per share (2020: Nil) and HK3.97 cents per share (2020: Nil) respectively were approved by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company held on 27 May 2022 and distributed to the Shareholders on 24 June 2022.

	<b>2022</b>	2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Audited)
2021 Final – HK2.03 cents (equivalent to MOP2.09 cents) (2020 Final – Nil)	<b>10,470</b>	–
2021 Special – HK3.97 cents (equivalent to MOP4.10 cents) (2020 Special – Nil)	<u><b>20,476</b></u>	<u>–</u>

No dividend has been proposed for the Shareholders for the six months ended 30 June 2022 and for the six months ended 30 June 2021.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately MOP4,000 (six months ended 30 June 2021: MOP133,000), including mainly furniture and fixture.



## 10. CONTRACT ASSETS

	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Contract assets from contract with customers	<b>53,690</b>	45,476
Less: Allowance for credit losses	<b>(203)</b>	(134)
	<b><u>53,487</u></b>	<u>45,342</u>
	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Represented by:		
Electrical and mechanical engineering works	<b>50,332</b>	45,158
Maintenance and repair services	<b>3,155</b>	184
	<b><u>53,487</u></b>	<u>45,342</u>
	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Analysed as current		
Unbilled revenue	<b>36,719</b>	28,978
Retention receivables	<b>16,768</b>	16,364
	<b><u>53,487</u></b>	<u>45,342</u>

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 2022, retention money held by customers for contract works amounted to approximately MOP16,768,000 (31 December 2021: MOP16,364,000). 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 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Within one year	<b>14,032</b>	5,706
After one year	<b>2,736</b>	10,658
	<b><u>16,768</u></b>	<u>16,364</u>

As at 30 June 2022, included in the Group's retention money are debtors with a carrying amount of MOP2,748,000 (31 December 2021: MOP789,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

## 11. CONTRACT LIABILITIES

	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Contract liabilities from contract with customers in relation to electrical and mechanical engineering works	<u>–</u>	<u>402</u>

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 June 2022</b>	31 December 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>49,438</b>	33,895
Less: Allowance for credit losses	<b>(406)</b>	(201)
	<u><b>49,032</b></u>	<u>33,694</u>
Other debtors, deposits and prepayments		
— Deposits	<b>13,961</b>	14,037
— Prepayments	<b>1,859</b>	2,567
— Interest receivables	<b>101</b>	424
— Other receivables	<b>5,116</b>	740
	<u><b>21,037</b></u>	<u>17,768</u>
	<u><b>70,069</b></u>	<u>51,462</u>
Analysed as:		
Current	<b>56,335</b>	37,674
Non-current	<b>13,734</b>	13,788
	<u><b>70,069</b></u>	<u>51,462</u>

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 June 2022</b>	31 December 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Audited)
0–30 days	<b>23,518</b>	24,025
31–60 days	<b>17,472</b>	2,854
61–90 days	<b>1,510</b>	719
Over 90 days	<b>6,938</b>	6,297
	<u><b>49,438</b></u>	<u>33,895</u>

As at 30 June 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately MOP15,965,000 (31 December 2021: MOP11,745,000), which are past due. Out of the past due balances approximately MOP6,938,000 (31 December 2021: MOP6,297,000) 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 the amounts are still considered as recoverable based on historical experience.

### 13. PLEDGED BANK DEPOSITS/SHORT TERM BANK DEPOSIT/BANK BALANCES

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. As at 30 June 2022, the pledged bank deposits carried interest rate at 1.1% to 1.3% per annum and with an original maturity of 6 months.

At 30 June 2022, the short term bank deposits carried interest rates ranging from 1.2% to 1.7% per annum (31 December 2021: 1.1% to 1.9%) and with original maturity more than three months (31 December 2021: more than three months).

The bank balances carry interest at prevailing market rates of 0.01% (31 December 2021: 0.01%) per annum.

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Trade payables	<b>19,152</b>	4,062
Other payables and accrued charges		
— Accrued staff bonus	—	4,600
— Other payables and accruals	<b>14,381</b>	24,929
	<b>33,533</b>	33,591

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 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
0–90 days	<b>17,948</b>	2,566
91–365 days	<b>1,204</b>	1,496
	<b>19,152</b>	4,062

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 June 2022 MOP'000 (Unaudited)</b>	31 December 2021 MOP'000 (Audited)
Lease liabilities payable:		
Within one year	<b>901</b>	658
Within a period of more than one year but not more than two years	<b>447</b>	466
Within a period of more than two years but not more than five years	<u>–</u>	<u>227</u>
	<b>1,348</b>	1,351
Less: Amount due for settlement with 12 months shown under current liabilities	<u><b>(901)</b></u>	<u>(658)</u>
Amount due for settlement after 12 months shown under non-current liability	<u><b>447</b></u>	<u>693</u>

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

## 16. SHARE CAPITAL

	<b>2022 MOP'000</b>	2021 MOP'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u><b>20,600</b></u>	<u>20,600</u>
Issued and fully paid:		
500,000,000 (2021: 500,000,000) ordinary shares of HK\$0.01 each	<u><b>5,150</b></u>	<u>5,150</u>

## 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 June 2022</b>	31 December 2021
	<b><i>MOP'000</i></b>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Audited)
Issued to the Group by banks	<u><b>5,276</b></u>	<u>6,698</u>

As at 30 June 2022, the Group has outstanding performance bonds of MOP5.3 million (31 December 2021: MOP6.7 million) which were secured by pledged bank deposits of MOP1.6 million (31 December 2021: MOP1.9 million). The Group has obtained total credit facilities of approximately MOP108.3 million (31 December 2021: MOP149.6 million) and these credit facilities were secured by the promissory notes of approximately MOP164.5 million (31 December 2021: MOP164.5 million).

Save as disclosed above, the Group had no other pledged assets or other significant contingent liabilities as at 30 June 2022 and 31 December 2021.

## 18. COMMITMENTS

As at 30 June 2022, the Group had committed to acquire office premises and a car parking space at a total purchase price of HK\$33.0 million (equivalent to MOP34.0 million) (31 December 2021: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

With the COVID-19 pandemic lingering on after its initial outbreak in 2019, economies around the world have suffered its effects for the past three years. In early July 2022, Macau experienced the first ever “Period of Relatively Static” management (相對靜止管理) from 11 to 22 July 2022, with all non-urgent business operations and services halted except for people’s livelihood services in a bid to control the rapid spread of the virus in the city. As a result, the Group was forced to suspend its operations, with some tendering submissions and ongoing projects having to be postponed.

In spite of the lingering pandemic, the Group was proactive in its search for new opportunities in order to develop its business and broaden its customer base. As at 30 June 2022, it had a total of 14 projects on hand, consisting of seven public and seven private work-in-progress (WIP) projects. Furthermore, the Group also had nine repair and maintenance (“R&M”) service agreements and 14 electrical and mechanical (“E&M”) project contracts respectively. Despite the difficult business environment in the first half of the year 2022, the Group continued to submit new project tenders so as to maintain its stable operation and stimulate revenue growth. During the Period, the top four new projects secured by the Group included two projects in the public sector and two projects in the private sector. The four new projects have a total value of more than MOP73.0 million.

The Group did not encounter any project suspension until the “Period of Relatively Static” management implemented by the Macau government in early July this year. However, as a result of (i) the intensifying competition in the market due to a reduction in the number of projects available for tender and postponements and cancellations of project tendering and (ii) more stringent cost control for projects from both private and public sectors, the Group’s revenue decreased by approximately 2.7% to MOP87.2 million, as compared to that for the corresponding period in 2021. For the Period, gross profit was MOP15.8 million and the gross profit margin was 18.1%, respectively.

The Group’s overall performance was 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. Moreover, the Group meant to retain the current Company size without staff redundancy in the first half of the year 2022 in order to be socially responsible. As at 30 June 2022, the Group had bank balances (including short term bank deposits and pledged bank deposits) of MOP127.2 million and net current assets of approximately MOP198.5 million.

## **FINANCIAL REVIEW**

### **Revenue**

With the impact of pandemic and the uncertainty of gambling license extension in Macau, many alteration works and project tendering from casino and hotel market have been postponed or the project and tendering progress have slowed down. Even though more governmental public projects have been made available for tendering or launched in the construction industry in the first half of the year 2022, the awarded public projects are not sufficient to compensate the drops from the private project market, therefore the Group's revenue has decreased by MOP2.4 million or 2.7% as compared with that for the corresponding period in 2021.

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

The gross profit margin decreased from 33.0% for the six months ended 30 June 2021 to 18.1% for the Period, as a result of the intensifying competition in the market due to a reduction in the number of projects available for tender and more stringent cost control for the WIP projects from both private and public sections. Therefore, the gross profit has decreased from MOP29.5 million for the six months ended 30 June 2021 to MOP15.8 million for the Period accordingly.

### **Other income**

Other income for the Period increased by MOP0.3 million or 58.6% as compared with that for the corresponding period in 2021, which was mainly attributable to the increase in fixed deposits principal.

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

The Group's impairment losses of trade receivables and contract assets were approximately MOP0.3 million for the Period (six months ended 30 June 2021: MOP0.4 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 MOP0.5 million or 8.6% as compared with that for the corresponding period in 2021, mainly due to the increase in professional service fee and the spending increase as a result of the COVID-19 spreading in Macau since June 2022.



## **Income tax expense**

Income tax expense for the Period decreased by MOP1.4 million or 53.1% as compared with that for the corresponding period in 2021, primarily due to the decrease in profit before tax.

## **Profit for the Period**

The Group's net profit for the Period decreased by approximately MOP12.4 million or 59.7% as compared with that for the corresponding period in 2021, which was due to the shrinking of the E&M industrial in Macau which has been affected by the uncertainties of gambling licensing renewal, the stringent cost control by customers, and the Group's retention of existing workforce without any staff redundancy in the first half of the year 2022 in order to be socially responsible.

## **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.

In respect of 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 2022, the Group had net current assets of MOP198.5 million (31 December 2021: MOP221.2 million). The current ratio of the Group as at 30 June 2022 was 6.2 (31 December 2021: 6.8). The Group continued to maintain a stable liquidity position.

As at 30 June 2022, the Group had a total cash and bank balances (including short term bank deposits and pledge bank deposits) of MOP127.2 million (31 December 2021: MOP176.0 million).

As at 30 June 2022, the Group had no bank borrowings (31 December 2021: nil).

As at 30 June 2022, the Group's reserves amounted to MOP208.7 million (31 December 2021: MOP231.3 million).

## **GEARING RATIO**

The gearing ratio of the Group as at 30 June 2022 was nil (31 December 2021: nil) as the Group had no outstanding loans and borrowings or bank overdrafts as at 30 June 2022. The gearing ratio is calculated as the total 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 and MOP. As at 30 June 2022, 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**

On 6 May 2022, Kento Engineering Company Limited (a direct wholly-owned subsidiary of the Company) as purchaser and Valga Investments Limited as vendor entered into the preliminary agreements pursuant to which the purchaser has promised to acquire, and the vendor has promised to sell, certain office premises and a car parking space both located in Macau at a total consideration of HK33.0 million. Completion of the acquisitions of the office premises and car parking space took place on 1 July 2022. For further details of the acquisitions, please refer to announcements of the Company dated 6 May 2022, 29 June 2022 and 3 July 2022.

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

The Group had no future plan for material investments or capital assets as at 30 June 2022.

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

As at 30 June 2022, the Group had outstanding performance bonds of MOP5.3 million (31 December 2021: MOP6.7 million) which were secured by pledged bank deposits of MOP1.6 million (31 December 2021: MOP1.9 million). As at 30 June 2022, the Group has obtained total credit facilities of approximately MOP108.3 million (31 December 2021: MOP149.6 million) and these credit facilities were secured by the promissory notes of approximately MOP164.5 million (31 December 2021: MOP164.5 million).

Save as disclosed above, the Group had no other pledged assets or other significant contingent liabilities as at 30 June 2022 and 31 December 2021.

## COMMITMENTS

As at 30 June 2022, the Group had committed to acquire office premises and a car parking space of HK\$33.0 million (equivalent to MOP34.0 million) (31 December 2021: nil), and completion of the acquisitions took place subsequently on 1 July 2022.

Save as disclosed above, as at 30 June 2022, the Group did not have any significant capital commitments.

## 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 2022, the Group had 59 (31 December 2021: 59) employees in Macau, comprising 41 Macau residents and 18 non-Macau residents (31 December 2021: 40 Macau residents and 19 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 2022, no share option had been granted under the Share Option Scheme.

## PROSPECTS

The Group expects the business environment to remain uncertain in the second half of the year 2022, both in terms of the E&M industry and Macau as a whole. Macau's economy has been severely affected by the pandemic owing to the city's heavy reliance on the tourism sector, and the E&M industry is facing a temporary downturn. However, despite the challenges that lay ahead, the Group's management is confident that Macau's E&M industry will persevere. It also remains optimistic about the industry's recovery and future prospects following the renewal of gambling licenses and after the COVID-19 epidemic subsides.

While the Group is currently facing a number of headwinds, it is believed that normal business operations will resume immediately after the uncertainties clear. Being well-positioned, well-equipped and ready for recovery, the Group has a high tolerance for both internal and external challenges. It has controlled its costs and resources strictly and effectively, enabling its financial position to remain stable. It has also given great importance to maintaining good working relations with its clients, service providers and vendors, helping it to maintain resilience and facilitate smooth collaboration to tackle unforeseen challenges as and when they arise.

Going forward, the Group is set to commence renovation work on the two properties acquired on 1 July 2022. It is expected that the said properties will become the headquarters of the Group in the first quarter of 2023. The Group will also, in the next six months, commence construction work on three new projects that were awarded in the first half year of year 2022, including two projects from the Macau government and one from the private sector.

The Directors are optimistic about the Group's ability to achieve better business growth in the near future, given its established track record in both the private and public sectors, and believe the Group is well positioned to capture opportunities as soon as the current market volatility settles.

## **CORPORATE GOVERNANCE PRACTICES**

During the Period, 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.

During the Period, the Group's corporate governance practices are in compliance with all code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for the deviation from code provision C.2.1 of Part 2 of the CG Code. Code provision C.2.1 of Part 2 of the CG Code 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. 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 2022.

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.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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

The Company and its subsidiaries did not purchase, sell or redeem 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 2022 and this announcement. The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have not been audited or reviewed by the external auditor of the Company.

## **EVENTS AFTER THE PERIOD**

Save for the completion of the acquisitions of the office premises and car parking space which took place on 1 July 2022 as disclosed in this announcement, as at the date of this announcement, the Board is not aware of any other significant events after the Period.

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

Hong Kong, 19 August 2022

*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.*