MACAU E&M HOLDING LIMITED
濠江機電控股有限公司

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濠江機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1408)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Macau E&M Holding Limited ("**Macau E&M**" or the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**Year**"or the "**Reporting Period**"), together with the comparative results for the year ended 31 December 2021 ("**FY 2021**") as follows:

FINANCIAL HIGHLIGHTS

*(in Macanese Pataca ("**MOP**") thousand, unless otherwise stated)*

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Revenue	**143,046**	184,496
Gross profit	**25,078**	43,439
Profit for the year	**9,312**	26,238
Earnings per share *(MOP cents)*	**1.86**	5.25
Bank balances (including short-term bank deposits and pledge bank deposits)	**119,792**	176,044
Total equity	**214,776**	236,410
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current ratio	**6.9 times**	6.8 times
Aggregate value of contracts on hand yet to complete	**165,483**	228,413

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2022** *MOP'000* **(Audited)**	2021 *MOP'000* (Audited)
Revenue	*3*	**143,046**	184,496
Cost of services		**(117,968)**	(141,057)
Gross profit		**25,078**	43,439
Other income		**1,769**	1,310
Reversal of (impairment losses) under expected credit loss model, net		**126**	(42)
Administrative expenses		**(16,077)**	(15,556)
Finance costs		**(372)**	(47)
Profit before tax		**10,524**	29,104
Income tax expense	*4*	**(1,212)**	(2,866)
Profit and total comprehensive income for the year		**9,312**	26,238
Basic earnings per share *(MOP cents)*	*5*	**1.86**	5.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2022 *MOP'000* (Audited)	2021 *MOP'000* (Audited)
Non-current assets			
Property, plant and equipment		**36,451**	301
Right-of-use assets		**815**	1,793
Deposits and receivables	*7*	**960**	13,788
		38,226	15,882
Current assets			
Contract assets	*6*	**41,907**	45,342
Trade and other receivables	*7*	**59,947**	37,674
Pledged bank deposits		**1,615**	1,874
Short-term bank deposits		**98,450**	124,535
Bank balances		**19,727**	49,635
		221,646	259,060
Current liabilities			
Contract liabilities	*8*	**–**	402
Trade payables and accruals	*9*	**29,931**	33,591
Lease liabilities		**603**	658
Bank borrowing		**511**	–
Tax liabilities		**1,012**	3,188
		32,057	37,839
Net current assets		**189,589**	221,221
Non-current liabilities			
Bank borrowing		**12,812**	–
Lease liabilities		**227**	693
		13,039	693
Net assets		**214,776**	236,410
Capital and reserves			
Share capital		**5,150**	5,150
Reserves		**209,626**	231,260
Total equity		**214,776**	236,410

NOTES:

1. GENERAL INFORMATION

Macau E&M Holding Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 October 2017. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Avenida da Concórdia, nos 175-181, Edifício Industrial Wang Fu, 10 Andar B e D, Macau.

The Company is an investment holding company. The principal activities of the subsidiaries (together with the Company referred to as the "**Group**") are engaged in the provision of electrical and mechanical ("**E&M**") engineering works; and maintenance and repair services.

The consolidated financial statements are presented in MOP, which is the same as the functional currency of the Company.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRSs in the current year has had no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

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

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

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

Amendments to IAS 1 Non-current Liabilities with Covenants ("the 2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to IAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("**the 2020 Amendment**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

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

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

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

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

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

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

Amendments to IAS 8 *Definition of Accounting Estimates*

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

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

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

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* ("**IAS 12**") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3.2, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirement to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary different can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amount of right-of-use assets and lease liabilities which are subject to the amendments amounted to MOP815,000 and MOP830,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

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

For the purpose of resources allocation and performance assessment, the executive directors of the Company, who are also the directors of Kento Engineering Company Limited, the sole operation subsidiary of the Group, being the chief operating decision maker ("**CODM**"), 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. No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the CODM for review.

Disaggregation of revenue from contracts with customers

	2022 ***MOP'000*** **(Audited)**	2021 *MOP'000* (Audited)
Revenue from construction contracts		
Electrical and mechanical engineering works	**139,573**	180,071
Provision of services		
Maintenance and repair services	**3,473**	4,425
	143,046	184,496
Timing of revenue recognition		
Over time	**143,046**	184,496

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. INCOME TAX EXPENSE

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Current tax		
Macau Complementary Tax	**896**	3,156
Hong Kong Profits Tax	**85**	32
Underprovision (overprovision) in prior years	**231**	(322)
	1,212	2,866

The Company was incorporated in the Cayman Islands and registered in Hong Kong. The Cayman Islands tax is exempted, but the Company is subject to Hong Kong Profits Tax and it is qualified for the two-tiered profits tax rates regime. The first Hong Kong dollar ("**HK$**") 2 million of the assessable profits is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Company's operating subsidiary is subject to Macau Complementary Tax at a rate of 12% on the assessable income exceeding MOP600,000 for both years.

5. EARNINGS PER SHARE

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

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**9,312**	26,238
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**500,000**	500,000

No diluted earnings per share is presented for both years as there was no potential ordinary shares in issue for both years.

6. CONTRACT ASSETS

The contract assets arising from electrical and mechanical engineering works, and maintenance and repair services are as follows:

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Contract assets from contracts with customers	**41,961**	45,476
Less: allowance for credit losses	**(54)**	(134)
	41,907	45,342
Represented by:		
Electrical and mechanical engineering works	**41,721**	45,158
Maintenance and repair services	**186**	184
	41,907	45,342
Analysed as current		
Unbilled revenue	**38,116**	28,978
Retention receivables	**3,791**	16,364
	41,907	45,342

As at 1 January 2021, contract assets amounted to MOP51,371,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on construction contracts in respect of electrical and mechanical engineering works, and maintenance and repair services. The contract assets are transferred to trade receivables when the rights become unconditional.

Change of contract assets as at 31 December 2022 represents the contract revenue recognised ahead of the accumulated progress billings.

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

Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits and typically net offs the deposits with first payments. Unbilled revenue included in contract assets represents the Group's rights to receive consideration for works completed but not yet billed because the exercise of such rights is conditional upon customers' satisfaction on the contract work completed by the Group, customers' or external surveyors' issuance of certification on the works or the payment milestones being met. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains certification of the completed contract works from customers or external surveyors or meets payment milestones.

The Group also typically agrees to a retention period ranging from one year to two years for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on satisfying the defect liability period of individual contracts. The Group typically reclassifies contract assets to trade receivables when defect liability period expires.

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

At 31 December 2022, retention money held by customers for contract works amounted to MOP3,791,000 (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 one year to two years from the date of the completion of the respective projects.

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

	2022	2021
	MOP'000	*MOP'000*
Within one year	**2,374**	5,706
After one year	**1,417**	10,658
	3,791	16,364

As at 31 December 2022, included in the Group's retention money are debtors with a carrying amount of MOP40,000 (2021: MOP653,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

7. TRADE AND OTHER RECEIVABLES

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Trade receivables from contracts with customers	**40,935**	33,895
Less: allowance for credit losses	**(155)**	(201)
	40,780	33,694
Other receivables, deposits and prepayments		
— Deposits (Note)	**13,993**	14,037
— Prepayments	**5,248**	2,567
— Interest receivables	**420**	424
— Other receivables	**466**	740
	20,127	17,768
Total trade and other receivables	**60,907**	51,462
Analysed as:		
Current	**59,947**	37,674
Non-current	**960**	13,788
	60,907	51,462

Note: The deposits primarily represented (i) the performance guarantee money placed to the customers as securities of the performance of the Group's E&M projects; and (ii) rental deposits.

As at 1 January 2021, trade receivables from contracts with customer amounted to MOP39,310,000.

The Group allows an average credit period of 30 days to its customers. The aging analysis of the Group's trade receivables at gross amount based on invoice date at the end of each reporting period are as follows:

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
0–30 days	**16,357**	24,025
31–60 days	**8,943**	2,854
61–90 days	**6,754**	719
Over 90 days	**8,881**	6,297
	40,935	33,895

As at 31 December 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of MOP24,578,000 (2021: MOP9,870,000) which are past due as at the reporting date. Out of the past due balances MOP100,000 (2021: MOP4,381,000) 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.

8. CONTRACT LIABILITIES

The contract liabilities arising from E&M engineering works are as follows:

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Contract liabilities from contract with customers in relation to E&M works	**–**	402

As at 1 January 2021, contract liabilities amounted to MOP11,180,000.

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

Change of contract liabilities as at 31 December 2022 and 2021 represents the reduction of accumulated progress billings ahead of the contract revenue recognised.

The following table shows the amount of the revenue recognised relates to carried-forward contract liabilities:

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**402**	11,180

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 construction activities commence, contract liabilities will arise at the start of the relevant contracts, until the revenue recognised on such relevant contracts exceeds the amount of the cash advances.

9. TRADE PAYABLES AND ACCRUALS

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Trade payables	**9,859**	4,062
Accruals:		
— Accrued construction costs	**12,167**	22,618
— Accrued staff bonus	**2,700**	4,600
— Accrued legal and professional fees	**1,946**	1,719
— Other accrued charges	**3,259**	592
	29,931	33,591

The credit period on trade payables ranges from 0 to 90 days. The aging analysis of the Group's trade payables based on invoice dates at the end of each reporting period are as follows:

	2022	2021
	MOP'000	*MOP'000*
	(Audited)	(Audited)
0–90 days	**9,751**	2,566
91–365 days	**108**	1,496
	9,859	4,062

10. DIVIDENDS

	2022	2021
	MOP'000	*MOP'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Final — HK2.03 cents (equivalent to MOP2.09 cents) (2021: 2020 final — Nil)	**10,470**	–
2021 Special — HK3.97 cents (equivalent to MOP4.10 cents) (2021: 2020 special — Nil)	**20,476**	–
	30,946	–

Subsequent to the end of the reporting period, a final dividend and a special dividend in respect of the year ended 31 December 2022 of HK1.08 cents (2021: HK2.03 cents) and HK$nil (2021: HK3.97 cents) respectively per ordinary share, in an aggregate amount of approximately HK$5,400,000 (equivalent to MOP5,570,000) (2021: approximately HK$10,150,000) and HK$nil (2021: HK$19,850,000, in an aggregate amount of MOP30,946,000) respectively, have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Macau E&M, I hereby announces the annual results of the Group for the Year.

During the Reporting Period, we continued to be confronted by stiff headwinds. Though we have certainly experienced many peaks and troughs in our history, the challenges presented during the Year and in the recent past have been unprecedented owing to the COVID-19 pandemic and our profit was inevitably affected. Despite this, we have persevered and prudently used these hard times to better the Group. While revenue for the Year totaled MOP143.0 million, we have continued to win new E&M contracts, the value of which will be reflected in the near future. Breaking new ground, we have also steered the Group to new business frontiers in the form of public housing projects, among other pursuits. At the same time, we have reinforced ties with vendors, business partners, customers and the Macau SAR Government. Progress has been made as well in optimizing internal operations, which in turn will result in greater efficiencies and cost savings. Just as significant, we have further strengthened our core competencies, best practices, advanced construction technologies and financial position.

All of the aforementioned achievements are due to the competence, commitment and passion of the Macau E&M workforce. During the Year, each member of our staff played an integral role in protecting the wellbeing of the Group. In appreciation for their individual and collective efforts, we have done our utmost to safeguard the integrity of our operational teams. Furthermore, we have extended training to advance their professional development. We have also kept our retention of existing workforce without staff redundancy during the Year. This stance embodies the Group's overall view towards corporate social responsibility and its own corporate culture, which is to respect staff and contribute further.

Looking ahead, the reopening of borders with the People's Republic of China and the rest of the world can only be a good sign for Macau. The Macau economy is projected to expand by between 20.5% and 44.1% in 2023, resulting in government revenue of between MOP55 billion and MOP66.1 billion, according to the University of Macau. With respect to the gaming sector, revenue has already increased by 82.5% year-on-year to MOP11.6 billion in January 2023, which recorded the first year-on-year increase since February 2022, and the highest monthly revenue recorded since January 2020 when COVID-19 struck . In view of such developments, we are optimistic about the outlook for the E&M industry as a whole, as well as our own business performance. Given the various efforts made in bolstering different facets of the Group, we are committed to emerging from the current downturn to take a leading role in the industry's recovery, as well as the sustainable development of Macau. At the same time, we will position the Group so that it is on course for expanding into new sectors, which in turn will facilitate its further and upward development.

On behalf of the Board and the management of the Company, I would like to express my sincere gratitude to all of our shareholders, investors, customers and partners for their trust in and continuous support for the Group. My heartfelt appreciation also goes to all of our staff members for their tremendous effort and outstanding performance over the past year.

CHEONG Ka Wo
Chairman, CEO and Executive Director

24 March 2023

MANAGEMENT DISCUSSION & ANALYSIS COMPANY

OVERVIEW

The Group is an E&M engineering services works contractor in Macau, ranking fifth among the E&M engineering services works contractor in Macau in 2019 according to the market research report provided by Frost & Sullivan on the Macau E&M engineering services market. As an integrated E&M engineering service works contractor registered with the Land, Public Works and Transport Bureau of Macau, the Company provides a comprehensive mix of E&M engineering service works based on the needs of its customers in Macau. The comprehensive mix of E&M engineering works involves a combination of the supply and/or installation of (i) low voltage systems works; (ii) heating, ventilation and air- conditioning systems works; and (iii) extra low voltage systems works, and the relevant testing and commissioning thereof as well as management and monitoring of quality and delivery of E&M engineering services works in Macau. The Group began its business through focusing on the public sector E&M engineering services works projects and gradually expanded into the private sector. The Group offers repair and maintenance service for property and hospitality facilities in Macau, including world class hotels and integrated entertainment resorts. The demand from this sector would be driven by the strategy and planning of the casinos and hotel operators in Macau, which would in turn increase the demand for repair and maintenance related E&M works.

BUSINESS REVIEW

During the first half of 2022, the entire Macau economy remained lacklustre as a result of many uncertainties associated with the COVID-19 pandemic, including new variants of the virus. In early July, the enclave experienced its first ever period of "Relatively Static" management (相對靜止管理) as the Macau SAR Government sought to control the rapid spread of the virus in the city. For approximately two weeks, all non-urgent business operations and services were suspended, except for livelihood-related services. Throughout this period, the Group suspended its operations and certain tender submissions and ongoing projects were postponed. However, as the impact of the COVID-19 pandemic abated and casino licenses were renewed, Macau moved closer to normality in the second half of 2022 and much of the anxiety had turned to optimism.

For the Year, the Group recorded total revenue of MOP143.0 million (FY2021: MOP184.5 million). Gross profit and gross profit margin were MOP25.1 million (FY2021: MOP43.4 million) and 17.5% (FY2021: 23.5%), respectively, while net profit and net profit margin recorded MOP9.3 million (FY2021: MOP26.2 million) and 6.5% (FY2021: 14.2%) respectively. The decrease in net profit was primarily attributable to the decrease in gross profit margin of the projects awarded, as a result of (i) the intensifying competition in the market due to a reduction in the number of projects available for tender with higher tendered costs under the continuous impact brought by the COVID-19 pandemic; (ii) more stringent cost control for projects from both private and public sectors; and (iii) the Group's retention of existing workforce without staff redundancy in the year of 2022 in order to be socially responsible.

During the Year, the Group had 35 projects in hand, both in the public and private sectors. In addition, the Group continued to submit tenders for new projects to sustain revenue growth and promote business stability. During the Year, the Group successfully secured two large tender projects related to the private sector and government housing, with a total value of more than MOP58 million. During the Reporting Period, the Group directed greater focus on government projects such as public housing, with the objective of receiving more invitations to tender from members of the private sector in the future, such as casinos and hotels.

Despite the different challenges posed by the COVID-19 pandemic, the Group remains a healthy financial position. As at the end of the Year, the Group had cash and bank balances (including short-term bank deposits and pledged bank deposits) of MOP119.8 million with a bank mortgage borrowings of MOP13.3 million. In addition, net current assets amounted to approximately MOP189.6 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2022 and 2021:

	2022		2021	
	MOP'000 **(Audited)**	*%*	*MOP'000* (Audited)	*%*
E&M engineering works	**139,573**	**97.6**	180,071	97.6
Maintenance and repair services	**3,473**	**2.4**	4,425	2.4
	143,046	**100.0**	184,496	100.0

The Group recorded revenue of MOP143.0 million for the Year, which represented a year-on-year decrease of 22.5% (2021: MOP184.5 million), the decrease was primarily attributable to the unexpected continuation of global travel restrictions in the second half of 2022 due to the COVID-19 pandemic which had constituted a material adverse impact on tourism and other related industries in Macau region and thereby affecting the investments in infrastructures and projects in Macau.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin for the year ended 31 December 2022 and 2021:

	2022		2021	
	Gross profit *MOP'000* **(Audited)**	**Gross margin** *%*	Gross profit *MOP'000* (Audited)	Gross margin *%*
E&M engineering works	**22,685**	**16.3**	40,447	22.5
Maintenance and repair services	**2,393**	**68.9**	2,992	67.6
	25,078	**17.5**	43,439	23.5

The Group recorded a gross profit of MOP25.1 million for the Year, which represented a year-on-year decrease of 42.3% (2021: MOP43.4 million), which was primarily attributable to the decrease in contract revenue during the Year.

The Group's gross profit margin was 17.5% for the Year, which represented a decrease as compared with that for FY 2022 at 23.5%. The decrease in gross profit margin of the projects awarded, as a result of (i) the intensifying competition in the market due to a reduction in the number of projects available for tender with higher tendered costs under the continuous impact brought by the COVID-19 pandemic; (ii) more stringent cost control for projects from both private and public sectors; and (iii) the Group's retention of existing workforce without staff redundancy in the year of 2022 in order to be socially responsible.

Other income

Other income increased by MOP0.5 million to MOP1.8 million (2021: MOP1.3 million). The increase was mainly benefitted from the increase of interest rate.

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

The reversal of impairment losses in trade receivables and contract assets were MOP0.1 million for the Year (2021: MOP0.3 million plus impairment loss), the provision for impairment losses has decreased as a result of the receivables being recovered from a court case, the total affected balance was less than MOP1.0 million. The Group applied a simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Trade receivables and contract assets with individual significant balances are assessed for impairment individually, the remaining trade receivables and contract assets are assessed collectively using a collective basis with appropriate groupings.

Administrative expenses

Administrative expenses increased by MOP0.5 million to MOP16.1 million for the Year (2021: MOP15.6 million). The increase was mainly due to the additional spending on hotel accommodation and COVID-19 rapid antigen test kits for staff during the pandemic period.

Income tax expense

Income tax expense decreased by MOP1.7 million or 57.7% to MOP1.2 million for the Year, mainly due to the decrease of profit before tax.

Profit for the Year

The Group's profit for the Year decreased by MOP16.9 million or 64.5%, which was primarily attributable to the combined effect of the abovementioned items.

LIQUIDITY AND 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 relies on internally generated cash flows from its core business.

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

As at 31 December 2022, the Group had net current assets of MOP189.6 million (2021: MOP221.2 million). The current ratio of the Group at 31 December 2022 was 6.9 times (2021: 6.8 times).

The Group has maintained a healthy liquidity position. As at 31 December 2022, the Group had total bank balances (including short-term bank deposits and pledge bank deposits) of MOP119.8 million (2021: MOP176.0 million). The Group's bank balances were mainly in MOP and HK$.

As at 31 December 2022, the Group had bank mortgage borrowing of MOP13.3 million (2021: Nil) at Bank of China Macau Branch with interest rate at 1 month Hibor +1.3% and capped interest rate at Prime - 3%, and the Group's gearing ratio (calculated as total debts dividing by total equity) was 6.2% (2021: zero).

As at 31 December 2022, the Group's share capital and reserves amounted to MOP5.2 million and MOP209.6 million, respectively (2021: MOP5.2 million and MOP231.3 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in HK$ and MOP. As at 31 December 2022, the Group had no exposure to 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, "**Kento Engineering**") as purchaser and Valga Investments Limited as vendor entered into the preliminary agreements pursuant to which the purchaser has agreed to acquire, and the vendor has agreed 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 31 December 2022.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group had outstanding performance bonds of MOP5.4 million (2021: MOP6.7 million) which were secured by pledged bank deposits of MOP1.6 million (2021: MOP1.9 million). The Group has obtained total credit facilities of MOP98.0 million (2021: MOP149.6 million) and this credit facilities were secured by the promissory notes of approximately MOP153.2 million (2021: MOP164.5 million).

As at 31 December 2022, the Group had a bank mortgage borrowing of MOP13.3 million in relation to the office premises acquisition on 1 July 2022.

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

COMMITMENTS

As at 31 December 2022 and 2021, 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 the remuneration package of its employees based on each employee's qualification, position and seniority.

As the main contractor for some of the projects undertaken, the Group applies for work permits for its non-Macau resident workers on a project-by-project basis. As at 31 December 2022, the Group had 61 (2021: 59) employees in Macau, comprising 42 Macau residents and 19 non-Macau residents (2021: 40 Macau residents and 19 non-Macau residents).

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 11 September 2020, which was effective upon the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 September 2020. 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 31 December 2022, no share option had been granted under the Share Option Scheme.

PROSPECTS

In view of various favourable external and internal factors, including the opening of Macau's borders, the renewal of casino licenses, and the Group's solid foundation and stable financial position, Macau E&M is cautiously optimistic about the market and the E&M industry as a whole. Going forward, it will proactively explore potential business opportunities as society returns to normal.

With its leading position in the industry, the Group has already won several government projects, which are expected to generate revenue for the Group in the year ending 31 December 2023. Also, with the possibility of receiving more tender invitations from casinos and hotels in the second half of 2023, the Group is confident in securing more new projects and generating additional incomes.

Given its prudent internal management, including adherence to stringent cost control measures and policies for ensuring the maintenance of a stable workforce, the Group is well positioned and fully prepared to seize new opportunities as and when the market upturn gathers pace.

FINAL DIVIDEND

The Board has recommended a final dividend of HK1.08 cents (2021: HK2.03 cents per Share for the year ended 31 December 2022 (the "**Final Dividend**") to the shareholders of the Company (the "**Shareholders**").

The payment of the Final Dividend is subject to the Shareholders' approval at the forthcoming annual general meeting of the Company (the "**AGM**"). Upon the approval by the Shareholders, the Final Dividend are expected to be paid on or around Friday, 23 June 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM AND THE FINAL DIVIDEND

The AGM is scheduled to be held on Wednesday, 24 May 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023 (both days inclusive), during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 May 2023.

Subject to the approval of the Shareholders at the AGM, the Final Dividend will be payable to Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 6 June 2023. For the purpose of determining the entitlement of the Shareholders to the Final Dividend, the register of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order for the Shareholders to qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, no later than 4:30 p.m. on Wednesday, 31 May 2023.

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 Company has adopted the code provisions of the Corporate Governance Code in force from time to time (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices since the Listing.

During the Year, the Company has complied with the code provisions set out under Part 2 of the CG Code except for the deviation from CG Code provision C.2.1. CG Code provision C.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 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 such deviation, 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 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all the Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code throughout the Year.

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

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The Company has established the audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Law Lap Tak (the chairman of the Audit Committee), 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.

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after 31 December 2022 and up to the date of this announcement.

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

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

PROPOSED AMENDMENTS TO ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

Pursuant to the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 "Core Standards" for shareholder protections for issuers. For the purposes of, among other things, (i) bringing the existing articles of association of the Company (the "**Articles**") in line with the amendments made to Listing Rules and the applicable laws of the Cayman Islands; and (ii) making certain minor housekeeping amendments and other consequential changes to the existing Articles, the Board proposes to put forward to the Shareholders for approval at the AGM a special resolution to amend the existing Articles and to adopt the amended and restated Articles (the "**New Articles**") in substitution for, and to the exclusion of, the existing Articles.

A circular containing, amongst other things, further information regarding the proposed adoption of the New Articles, together with the notice of the AGM will be despatched to the Shareholders in due course.

APPRECIATION

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

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

Macau, 24 March 2023

As at the date of this announcement, the executive Directors are Mr. Cheong Ka Wo and Mr. Leong Kam Leng, and the independent non-executive Directors are Mr. Law Lap Tak, Ms. Lee Sze Ming and Mr. Chan Ming Kit.