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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 (the "**Period**"), together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended	
	Notes	**30 June 2023** ***MOP'000*** **(Unaudited)**	30 June 2022 *MOP'000* (Unaudited)
Revenue	*3*	**68,120**	87,236
Cost of services		**(68,005)**	(71,439)
Gross profit		**115**	15,797
Other income	*4*	**1,788**	821
Impairment losses under expected credit loss model, net of reversal		**(127)**	(274)
Administrative expenses		**(7,126)**	(6,683)
Finance costs		**(4)**	(20)
(Loss)/profit before tax		**(5,354)**	9,641
Income tax expense	*5*	**(14)**	(1,240)
(Loss)/profit and total comprehensive (expense) income for the period	*6*	**(5,368)**	8,401
(Losses)/earnings per share *(Macanese Pataca ("**MOP**") cents)*	*7*	**(1.07)**	1.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30 June 2023** *MOP'000* **(Unaudited)**	31 December 2022 *MOP'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**38,726**	36,451
Right-of-use assets		**161**	815
Trade and other receivables	*12*	**–**	960
		38,887	38,226
Current assets			
Contract assets	*10*	**61,193**	41,907
Trade and other receivables	*12*	**33,852**	59,947
Pledged bank deposits	*13*	**1,667**	1,615
Short term bank deposits	*13*	**90,781**	98,450
Bank balances	*13*	**25,768**	19,727
		213,261	221,646
Current liabilities			
Contract liabilities	*11*	**1,266**	–
Trade and other payables	*14*	**32,838**	29,931
Lease liabilities	*15*	**73**	603
Bank loan		**521**	511
Tax liabilities		**973**	1,012
		35,671	32,057
Net current assets		**177,590**	189,589
Non-current liabilities			
Bank loan		**12,550**	12,812
Lease liabilities	*15*	**89**	227
Net assets		**203,838**	214,776
Capital and reserves			
Share capital	*16*	**5,150**	5,150
Reserves		**198,688**	209,626
Total equity		**203,838**	214,776

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022 (audited)	5,150	111,487	30	(35,509)	155,252	236,410
Profit and total comprehensive income for the period	–	–	–	–	8,401	8,401
Dividend paid	–	–	–	–	(30,946)	(30,946)
At 30 June 2022 (unaudited)	5,150	111,487	30	(35,509)	132,707	213,865
At 1 January 2023 (audited)	**5,150**	**111,487**	**30**	**(35,509)**	**133,618**	**214,776**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(5,368)**	**(5,368)**
Dividend paid	**–**	**–**	**–**	**–**	**(5,570)**	**(5,570)**
At 30 June 2023 (unaudited)	**5,150**	**111,487**	**30**	**(35,509)**	**122,680**	**203,838**

Note a: In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau Special Administrative Region ("**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 2023

	Six months ended	
	30 June 2023	30 June 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
(Loss)/profit before tax	**(5,354)**	9,641
Adjustments for:		
Finance costs	**4**	20
Depreciation of		
— Property, plant and equipment	**419**	112
— Right-of-use assets	**308**	466
Impairment losses under expected credit loss model, net of reversal	**127**	274
Bank interest income	**(1,719)**	(808)
Gain arising from early termination on lease contract	**(8)**	–
Operating cash flows before movements in working capital	**(6,223)**	9,705
Increase in contract assets	**(19,398)**	(8,214)
Decrease (increase) in trade and other receivables	**27,937**	(18,711)
Increase (decrease) in contract liabilities	**1,266**	(402)
Increase (decrease) in trade and other payables	**2,907**	(58)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,489**	(17,680)
Income tax paid	**(53)**	(322)
NET CASH FROM (USED IN) OPERATIONS	**6,436**	(18,002)
INVESTING ACTIVITIES		
Interest received	**822**	707
Purchase of property, plant and equipment	**(2,694)**	(4)
Redemption of short term bank deposits	**98,450**	124,535
Placement of short term bank deposits	**(90,781)**	(43,980)
Redemption of pledged bank deposits	**3,228**	274
Placement of pledged bank deposits	**(3,280)**	–
NET CASH FROM INVESTING ACTIVITIES	**5,745**	81,532
FINANCING ACTIVITIES		
Interest paid	**(4)**	(20)
Repayment of bank loan	**(252)**	–
Repayment of lease liabilities	**(314)**	(539)
Dividend paid	**(5,570)**	(30,946)
NET CASH USED IN FINANCING ACTIVITIES	**(6,140)**	(31,505)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,041**	32,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**19,727**	49,635
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances	**25,768**	81,660

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

In the current interim period, the Group has applied the following new and amendments to International Financial Reporting Standards ("**IFRSs**") issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts on application of 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

2.2 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

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 in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

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.

	Six months ended	
	30 June 2023	30 June 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Revenue from construction contracts		
Electrical and mechanical engineering works	**66,347**	85,538
Provision of services		
Maintenance and repair services	**1,773**	1,698
	68,120	87,236
Timing of revenue recognition		
Over time	**68,120**	87,236

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

	Six months ended	
	30 June 2023	30 June 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,719**	808
Others	**69**	13
	1,788	821

5. INCOME TAX EXPENSE

	Six months ended 30 June 2023 MOP'000 (Unaudited)	Six months ended 30 June 2022 MOP'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	**14**	–
Macau Complementary Tax	**–**	1,240
Income tax expense relating to continuing operations	**14**	1,240

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 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 periods.

6. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June 2023 MOP'000 (Unaudited)	Six months ended 30 June 2022 MOP'000 (Unaudited)
(Loss)/profit for the period has been arrived at after charging:		
Directors' emoluments	**2,053**	2,586
Other staff costs:		
Salaries and other allowances	**9,208**	8,223
Total staff costs	**11,261**	10,809
Less: amounts included in cost of services	**(7,423)**	(6,204)
	3,838	4,605
Depreciation of		
— property, plant and equipment	**419**	112
— right-of-use assets	**308**	466

7. (LOSSES)/EARNINGS PER SHARE

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

	Six months ended	
	30 June 2023	30 June 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
(Losses)/Earnings		
(Losses)/earnings for the purpose of calculating basic and diluted (losses)/earnings per share	**(5,368)**	8,401
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (losses)/earnings per share	**500,000**	500,000

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

8. DIVIDENDS

During the current interim period, a final dividend and a special dividend of HK$1.08 cents per share and HK$nil in respect of the year ended 31 December 2022 respectively (six months ended 30 June 2022: HK$2.03 cents per share and HK$3.97 cents in respect of the year ended 31 December 2021, respectively) were declared and paid to owners of the Company. The aggregate amount of the final dividend and special dividend declared and paid in the interim period amounted to MOP5,570,000 and MOPnil respectively (six months ended 30 June 2022: MOP10,470,000 and MOP20,476,000 respectively).

Subsequent to the end of the current interim period, no dividend has been proposed for the Shareholders for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately MOP2,694,000 (six months ended 30 June 2022: MOP4,000), primarily relate to the new office premises renovation.

10. CONTRACT ASSETS

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Contract assets from contract with customers	**61,359**	41,961
Less: Allowance for credit losses	**(166)**	(54)
	61,193	41,907

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Represented by:		
Electrical and mechanical engineering works	**61,121**	41,721
Maintenance and repair services	**72**	186
	61,193	41,907

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Analysed as current:		
Unbilled revenue	**59,259**	38,116
Retention receivables	**1,934**	3,791
	61,193	41,907

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 2023, retention money held by customers for contract works amounted to approximately MOP1,934,000 (31 December 2022: MOP3,791,000). 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.

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within one year	**1,105**	2,374
After one year	**829**	1,417
	1,934	3,791

As at 30 June 2023, included in the Group's retention money are debtors with a carrying amount of MOP40,000 (31 December 2022: MOP40,000), which are past due but not impaired. The Group does not hold any collateral over these balances.

11. CONTRACT LIABILITIES

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Contract liabilities from contract with customers in relation to electrical and mechanical engineering works	**1,266**	–

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

	30 June 2023 MOP'000 (Unaudited)	31 December 2022 MOP'000 (Audited)
Trade receivables	**17,886**	40,935
Less: Allowance for credit losses	**(324)**	(155)
	17,562	40,780
Other debtors, deposits and prepayments		
— Deposits	**13,764**	13,993
— Prepayments	**1,583**	5,248
— Interest receivables	**898**	420
— Other receivables	**45**	466
	16,290	20,127
	33,852	60,907
Analysed as:		
Current	**33,852**	59,947
Non-current	**–**	960
	33,852	60,907

The Group allows an average credit period of 30 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:

	30 June 2023 MOP'000 (Unaudited)	31 December 2022 MOP'000 (Audited)
0–30 days	**6,320**	16,357
31–60 days	**1,493**	8,943
61–90 days	**45**	6,754
Over 90 days	**10,028**	8,881
	17,886	40,935

As at 30 June 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately MOP11,566,000 (31 December 2022: MOP24,578,000), which are past due. Out of the past due balances approximately MOP1,066,000 (31 December 2022: MOP100,000) 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 DEPOSITS/BANK BALANCES

Pledged bank deposits represent fixed-rate bank deposits which are pledged to secure bank guarantee to the Group. As at 30 June 2023, the pledged bank deposits carried interest rate at 2.0% to 3.3% per annum and with an original maturity of 6 months.

At 30 June 2023, the short term bank deposits carried interest rates ranging from 3.4% to 4.2% per annum (31 December 2022: 1.1% to 4.1%) and with original maturity more than three months (31 December 2022: more than three months).

The bank balances carry interest at prevailing market rates of 0.01% (31 December 2022: 0.01%) per annum.

14. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Trade payables	**6,645**	9,859
Other payables and accrued charges		
— Accrued staff bonus	**477**	2,700
— Other payables and accruals	**25,716**	17,372
	32,838	29,931

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:

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
0–90 days	**6,629**	9,751
91–365 days	**16**	108
	6,645	9,859

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

	30 June 2023 MOP'000 (Unaudited)	31 December 2022 MOP'000 (Audited)
Lease liabilities payable:		
Within one year	**73**	603
Within a period of more than one year but not more than two years	**61**	227
Within a period of more than two years but not more than five years	**28**	–
	162	830
Less: Amount due for settlement with 12 months shown under current liabilities	**(73)**	(603)
Amount due for settlement after 12 months shown under non-current liabilities	**89**	227

The weighted average incremental borrowing rate applied to lease liabilities is 5% (31 December 2022: 5%).

16. SHARE CAPITAL

	30 June 2023 MOP'000	31 December 2022 MOP'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,600**	20,600
Issued and fully paid:		
500,000,000 ordinary shares of HK$0.01 each	**5,150**	5,150

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:

	30 June 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Issued to the Group by banks	**5,565**	5,411

As at 30 June 2023, the Group has outstanding performance bonds of MOP5.6 million (31 December 2022: MOP5.4 million) which were secured by pledged bank deposits of MOP1.7 million (31 December 2022: MOP1.6 million). The Group has obtained total credit facilities of approximately MOP98.0 million (31 December 2022: MOP98.0 million) and these credit facilities were secured by the promissory notes of approximately MOP153.2 million (31 December 2022: MOP153.2 million).

Save as disclosed above, the Group had no other pledged asset or other significant contingent liability as at 30 June 2023 and 31 December 2022.

18. COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group did not have any significant capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the gradual easing of the COVID-19 pandemic after three years and the reopening of borders around the world, including Macau, the number of people traveling to and from Macau has been increasing, leading to a rapid recovery of the tourism and retail industries. While the electrical and mechanical ("**E&M**") industry, and thus the Group, was inevitably affected by the economic downturn, the Company's proven track record and stable financial position have enabled it to lay a solid foundation for positive performance once the current uncertainties subside.

Despite the challenging operating environment and the decline in project margins, the Group remained committed to maintaining scale and a sense of normalcy. As a result, it did not experience any work suspensions or project delays in the first half of 2023. As of 30 June 2023, the Group had a total of 25 ongoing projects, of which 14 were related to the public sector. Despite the unfavorable factors in the first half of the year, the Group continued to actively submit new project tenders, a strategic approach designed to ensure stable operations and stimulate revenue growth.

During the Period, most E&M contractors were busy completing ongoing government projects while simultaneously preparing to bid for various casino-related projects, as gambling licenses were recently renewed for another 10 years. The Group was no exception. In addition, as mentioned above, the Group was suffering from the effects of the third year of pandemic and the generally lower gross profit margin for certain projects undertaken by the Group. As a result, revenue for the Period amounted to approximately MOP68.1 million. Gross profit was approximately MOP115,000, with a gross profit margin of 0.2%.

Additionally, as a socially responsible enterprise, the Group maintained its commitment to preserving its current size, hence avoided staff redundancies throughout the first half of 2023. Notwithstanding the aforementioned challenges, the Group maintained a sound financial position. As at 30 June 2023, the Group had bank balances (including short term bank deposits and pledged bank deposits) of approximately MOP118.2 million and net current assets of approximately MOP177.6 million.

FINANCIAL REVIEW

Revenue

The slow recovery of the E&M industry market in Macau after the COVID-19 pandemic, especially for the project tendering from the entertainment and resorts sector, and the uncertainty of the global economy, resulted in sluggish demand for E&M engineering services in Macau. Even though more governmental public projects have been launched these two years, E&M projects have been split into relatively smaller size and scale for subcontracting services. Therefore, the Group's revenue for the Period has decreased by MOP19.1 million or 21.9% as compared with that for the corresponding period in 2022. Nevertheless, the retailing, catering and tourism industries are recovered speedily, the demanding on E&M services will increase accordingly thereafter.

Gross profit and gross profit margin

The gross profit margin decreased from 18.1% for the six months ended 30 June 2022 to 0.2% for the Period, as a result of the intensifying competition in the market due to the low demand on E&M services in Macau. The Group's commitment in maintaining the same size of workforce without any redundancy also lowered the gross profit and gross profit margin. The gross profit has decreased from approximately MOP15.8 million for the six months ended 30 June 2022 to approximately MOP0.1 million for the Period accordingly.

Other income

Other income for the Period increased by approximately MOP1.0 million or 117.8% as compared with that for the corresponding period in 2022, which was mainly attributable to the increase in fixed deposit interest rates.

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

The Group's impairment losses of trade receivables and contract assets were approximately MOP0.1 million for the Period (six months ended 30 June 2022: MOP0.3 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. The decrease was mainly due to the decrease in expected loss in respect of a dispute on trade receivables contract assets of the Group.

Administrative expenses

Administrative expenses for the Period increased by approximately MOP0.4 million or 6.6% as compared with that for the corresponding period in 2022, which was mainly due to the increase of depreciation expense on leasehold of MOP0.3 million since the new office premises has put into use in January 2023. The other additional derived from office moving expenses.

Income tax expense

Income tax expense for the Period decreased by approximately MOP1.2 million or 98.9% as compared with that for the corresponding period in 2022, primarily due to the loss before tax recorded by a subsidiary in Macau.

(Loss)/profit for the Period

The Group recorded a net loss of approximately MOP5.4 million for the Period, as compared to the net profit position of approximately MOP8.4 million for the corresponding period in 2022, which was mainly due to the generally lower gross profit margin for projects undertaken by the Group and slow recovery of the demand for E&M services in Macau, as well as the Group's retention of the existing workforce without any staff redundancy 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 an adequate level of cash and cash equivalents to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

As at 30 June 2023, the Group had net current assets of approximately MOP177.6 million (31 December 2022: MOP189.6 million). The current ratio of the Group as at 30 June 2023 was 6.0 times (31 December 2022: 6.9 times).

The Group has maintained a healthy liquidity position. As at 30 June 2023, the Group had a bank balances (including short term bank deposits and pledged bank deposits) of approximately MOP118.2 million (31 December 2022: MOP119.8 million).

As at 30 June 2023, the Group had bank mortgage borrowing of approximately MOP13.1 million (31 December 2022: MOP13.3 million) 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 6.4% (31 December 2022: 6.2%).

As at 30 June 2023, the Group's share capital and reserves amounted to approximately MOP5.2 million and MOP198.7 million, respectively (31 December 2022: MOP5.2 million and MOP209.6 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and MOP. As at 30 June 2023, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION OR DISPOSAL, AND FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group had no significant investment held and no material acquisition or disposal of subsidiaries, associates or joint ventures during the Period.

The Group had no future plan for material investment or capital asset as at 30 June 2023.

PLEDGE OF ASSETS AND CONTINGENT LIABILITY

As at 30 June 2023, the Group had outstanding performance bonds of approximately MOP5.6 million (31 December 2022: MOP5.4 million) which were secured by pledged bank deposits of approximately MOP1.7 million (31 December 2022: MOP1.6 million). As at 30 June 2023, the Group has obtained total credit facilities of approximately MOP98.0 million (31 December 2022: MOP98.0 million) and these credit facilities were secured by the promissory notes of approximately MOP153.2 million (31 December 2022: MOP153.2 million).

Save as disclosed above, the Group had no other pledged assets or other significant contingent liability as at 30 June 2023 and 31 December 2022.

COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitment.

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 2023, the Group had 65 (31 December 2022: 61) employees in Macau, comprising 43 Macau residents and 22 non-Macau residents (31 December 2022: 42 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 of its shares on the Stock Exchange. 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 2023, no share option had been granted thereunder.

PROSPECTS

Despite the challenges that may lie ahead, the Group's management remains confident in the Group's ability to persevere. With the reopening of Macau's borders and the renewal of casino licenses for another 10 years, the Group believes that the industry's performance will gradually recover in the fourth quarter of 2023. The positive impact should become apparent in the next fiscal year, as casino corporations are currently preparing to invite tenders for projects for new construction or refurbishment. Therefore, the Group is optimistic about its business prospects in the future.

The reopening of Macau's borders has also resolved uncertainties that had previously placed pressure on the Group's business. Consequently, the Group expects new opportunities to emerge and therefore has no plans for layoffs at this time. The management is committed to maintaining the current size of the Company in preparation for upcoming project tenders. The Group is well positioned and equipped for recovery, with a high resistance to both internal and external challenges. It has exercised strict and effective control over costs and resources, which has kept its financial position stable. Additionally, the Group has attached tremendous importance to maintaining positive working relations with its clients, service providers, and vendors, thereby enhancing resilience and facilitating smooth cooperation to tackle unforeseen challenges as they arise. The Company will continue to assess the impact of the challenging economic environment in Macau on its operations and financial performance. It will also negotiate with business partners to explore if there are any measures which could be implemented to improve the financial performance.

Looking ahead, the Group expects more new hotel and casino projects as well as refurbishment projects to be launched in Macau, with the tendering process expected to begin in the fourth quarter of 2023. At present, the Group has no plans to purchase equipment or upgrade existing equipment. However, it will review these decisions on a case-by-case basis as and when necessary, especially after new projects are awarded.

Given the Group's proven track record in both the private and public sectors, the directors are optimistic about its ability to achieve better business growth in the future. Furthermore, they believe the Group is well positioned to capture opportunities as soon as the current market volatility subsides.

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 Company has applied the principles of good corporate governance and complied with the 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 Period.

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 have resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 and this announcement. The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have not been audited or reviewed by the external auditor of the Company.

EVENTS AFTER THE PERIOD

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, 25 August 2023

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.