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)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023; AND (2) PROPOSED AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Macau E&M Holding Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2023 (the "**Year**"), together with the comparative results for the year ended 31 December 2022 ("**FY 2022**") as follows:

FINANCIAL HIGHLIGHTS

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

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Revenue	**128,283**	143,046
Gross profit	**7,384**	25,078
(Loss) profit for the year	**(3,759)**	9,312
(Loss) earnings per share *(MOP cents)*	**(0.75)**	1.86
Bank balances (including short-term bank deposits and pledge bank deposits)	**141,799**	119,792
Total equity	**205,447**	214,776
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current ratio	**5.3 times**	6.9 times
Aggregate value of contracts on hand yet to complete	**71,445**	165,483

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2023 MOP'000 (Audited)	2022 MOP'000 (Audited)
Revenue	3	**128,283**	143,046
Cost of services		**(120,899)**	(117,968)
Gross profit		**7,384**	25,078
Other income		**3,805**	1,769
(Impairment losses) reversal of under expected credit loss model, net		**(112)**	126
Administrative expenses		**(14,861)**	(16,077)
Finance costs		**(19)**	(372)
(Loss) profit before tax		**(3,803)**	10,524
Income tax credit (expense)	4	**44**	(1,212)
(Loss) profit and total comprehensive (expense) income for the year		**(3,759)**	9,312
Basic (loss) earnings per share *(MOP cents)*	5	**(0.75)**	1.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**2023** *MOP'000* **(Audited)**	2022 *MOP'000* (Audited)
Non-current assets			
Property, plant and equipment		**38,051**	36,451
Right-of-use assets		**177**	815
Deposits and receivables	*7*	**–**	960
		38,228	38,226
Current assets			
Contract assets	*6*	**49,264**	41,907
Trade and other receivables	*7*	**30,383**	59,947
Pledged bank deposits		**42**	1,615
Short-term bank deposits		**27,025**	98,450
Cash and cash equivalent		**114,732**	19,727
		221,446	221,646
Current liabilities			
Contract liabilities	*8*	**2,310**	–
Trade payables and accruals	*9*	**38,884**	29,931
Lease liabilities		**102**	603
Bank borrowing		**516**	511
Tax liabilities		**34**	1,012
		41,846	32,057
Net current assets		**179,600**	189,589
Non-current liabilities			
Bank borrowing		**12,304**	12,812
Lease liabilities		**77**	227
		12,381	13,039
Net assets		**205,447**	214,776
Capital and reserves			
Share capital		**5,150**	5,150
Reserves		**200,297**	209,626
Total equity		**205,447**	214,776

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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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 year had no material impact on the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after 1 January 2025

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 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an 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.

In addition, the 2022 Amendments 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 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 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 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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 operating 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

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Revenue from construction contracts		
Electrical and mechanical engineering works	**124,738**	139,573
Provision of services		
Maintenance and repair services	**3,545**	3,473
	128,283	143,046
Timing of revenue recognition		
Over time	**128,283**	143,046

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 CREDIT (EXPENSE)

	2023	2022
	MOP'000	*MOP'000*
Macau Complementary Tax		
Current tax charged	**—**	(896)
Overprovision (underprovision) in prior years	**5**	(231)
Hong Kong Profits Tax		
Current tax charged	**(34)**	(116)
Overprovision in prior years	**73**	31
	44	(1,212)

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. No provision for Macau Complementary Tax has been provided as a subsidiary of the Group incurred loss for the year ended 31 December 2023.

5. BASIC (LOSS) EARNINGS PER SHARE

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

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
(Loss) Earnings		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	**(3,759)**	9,312
	'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 (loss) earnings per share is presented for both years as there were 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:

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Contract assets from contracts with customers	**49,294**	41,961
Less: allowance for credit losses	**(30)**	(54)
	49,264	41,907
Represented by:		
Electrical and mechanical engineering works	**49,207**	41,721
Maintenance and repair services	**57**	186
	49,264	41,907
Analysed as current		
Unbilled revenue	**32,035**	38,116
Retention receivables	**17,229**	3,791
	49,264	41,907

As at 1 January 2022, contract assets amounted to MOP45,342,000.

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 2023 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 2023, retention money held by customers for contract works amounted to MOP17,229,000 (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 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.

	2023	2022
	MOP'000	*MOP'000*
Within one year	**8,982**	2,374
After one year	**8,247**	1,417
	17,229	3,791

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

7. TRADE AND OTHER RECEIVABLES

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Trade receivables from contracts with customers	**28,096**	40,935
Less: allowance for credit losses	**(291)**	(155)
	27,805	40,780
Other receivables, deposits and prepayments		
— Deposits *(Note)*	**91**	13,993
— Prepayments	**1,899**	5,248
— Interest receivables	**531**	420
— Other receivables	**57**	466
	2,578	20,127
Total trade and other receivables	**30,383**	60,907
Analysed as:		
Current	**30,383**	59,947
Non-current	**–**	960
	30,383	60,907

Note: The deposits in 2022 primarily represented (i) the performance guarantee money placed to the customers as securities of the performance of the Group's E&M projects while the project has completed, such performance guarantee money was received in 2023; and (ii) rental deposits.

As at 1 January 2022, trade receivables from contracts with customers amounted to MOP33,694,000.

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:

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
0–30 days	**18,491**	16,357
31–60 days	**6,050**	8,943
61–90 days	**501**	6,754
Over 90 days	**3,054**	8,881
	28,096	40,935

As at 31 December 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of MOP9,605,000 (2022: MOP24,772,000) which are past due as at the reporting date. Out of the past due balances MOP595,000 (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 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:

	2023 ***MOP'000*** **(Audited)**	2022 *MOP'000* (Audited)
Contract liabilities from contract with customers in relation to E&M works	**2,310**	–

As at 1 January 2022, contract liabilities amounted to MOP402,000.

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 2023 and 2022 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:

	2023 ***MOP'000*** **(Audited)**	2022 *MOP'000* (Audited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**–**	402

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

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
Trade payables	**15,733**	9,859
Accruals:		
— Accrued construction costs	**19,515**	12,167
— Accrued staff bonus	**1,695**	2,700
— Accrued legal and professional fees	**1,424**	1,946
— Other accrued charges	**517**	3,259
	38,884	29,931

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:

	2023	2022
	MOP'000	*MOP'000*
	(Audited)	(Audited)
0–90 days	**11,695**	9,751
91–365 days	**4,038**	108
	15,733	9,859

10. DIVIDENDS

	2023	2022
	MOP'000	*MOP'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Final — HK1.08 cents (equivalent to MOP1.11 cents) (2022: 2021 final — HK2.03 cents (equivalent to MOP2.09 cents))	**5,570**	10,470
2022 Special — HK$nil (2022: 2021 special — HK3.97 cents (equivalent to MOP4.10 cents))	**–**	20,476
	5,570	30,946

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2023 (2022: HK1.08 cents in an aggregate amount of MOP5,570,000, approximately HK$5,400,000) has been proposed by the directors of the Company.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Company, I hereby announce the annual results of the Group for the year ended 31 December 2023.

During the Year, we recorded total revenue of MOP 128.3 million. Business activities were slower when compared with the last three years. The various sectors in Macau Special Administrative Region ("**Macau**") and the entire city were overshadowed by negative sentiment. As a result, our business performance was inevitably and adversely affected.

Despite facing a challenging business environment, we did manage to win a good number of projects. However, their profit margins were not at all handsome for the strategic reason of us wishing to maintain relationship with our customers. As a result, the revenue from certain projects with low profit margin was not able to cover all the associated fixed costs and salaries of the Group. The biggest expenditure items of our operations have always been salary cost plus other fixed costs. Nevertheless, backed by our well-established market position and reputation, we will continue to secure more electrical and mechanical ("**E&M**") contracts as well as implement stringent cost control measures, thus are confident of seeing our business and income improve in the near future.

Looking forward, with the University of Macau predicting gross domestic product of Macau set to increase by between 8.3% and 21% in 2024[1], we are optimistic about the outlook of Macau and her E&M industry as a whole, and in turn our business performance. We will explore new business frontiers for the Group. Our eyes are set on public housing projects, new government initiatives, and pursuits of all kinds. With significant progress made in optimizing internal operations, we are achieving greater efficiencies and cost savings on various operational fronts. As importantly, we have also strengthened our core competence, best practices, advanced construction technologies and financial position.

On behalf of the Board and management of the Company, I thank all our shareholders, investors, customers and partners for their trust in and continuous support for the Group. My heartfelt gratitude also goes to all staff members for their great effort and remarkable performance in 2023 ridden with challenges.

CHEONG Ka Wo
Chairman, CEO and Executive Director

21 March 2024

[1] https://www.macaubusiness.com/macaus-economy-set-to-grow-up-to-21-pct-in-2024-um-forecast/

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 on the E&M engineering services market provided by Frost & Sullivan in 2020. 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

In 2023, the E&M market in Macau continued to heavily rely on government projects, and despite the renewal of casino licenses, launch of casino projects for tendering had been slower than anticipated. As those projects had only undergone minor alterations, they had not significantly contributed to the earnings of the E&M industry.

For the Year, the Group recorded total revenue of MOP128.3 million (2022: MOP143.0 million). Gross profit and gross profit margin were MOP7.4 million (2022: MOP25.1 million) and 5.8% (2022: 17.5%), while net loss and the net loss margin were MOP3.8 million (2022: net profit of MOP9.3 million) and 2.9% (2022: net profit margin of 6.5%). The turnaround from net profit to net loss for the Year was primarily attributable to fewer awarded projects and the significantly narrower margins of such awarded projects as compared to FY2022. However, to some extent, those projects still helped the Group to cover certain of its fixed costs and back-office expenses. Negotiation and bargaining of terms for variance orders proved to be difficult, as many of them fell short of returns expectation. The main pressure for the Group was from salary expenses. With no staff redundancies during the Year, it had to bear the burden of heavy staff costs, and the very narrow project margins were insufficient to cover both fixed costs and salaries.

During the Year, the Group had approximately 19 projects on hand, 9 from private sector and 10 from the public sector. In addition, the Group continued to submit tenders for new projects in its bid to sustain revenue growth and promote business stability.

The Group has continued to remain in a healthy financial position. As at the end of the Year, it had cash and bank balances (including short-term bank deposits and pledged bank deposits) of MOP141.8 million with bank mortgage borrowings of MOP12.8 million. Net current assets of the Group amounted to MOP179.6 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2023 and 2022:

	2023		2022	
	MOP'000 **(Audited)**	*%*	*MOP'000* (Audited)	*%*
E&M engineering works	**124,738**	**97.2**	139,573	97.6
Maintenance and repair services	**3,545**	**2.8**	3,473	2.4
	128,283	**100**	143,046	100.0

The Group recorded revenue of MOP128.3 million for the Year, which represented a year-on-year decrease of 10.3% (2022: MOP143.0 million), the decrease of which was primarily attributable to a decrease in the number of awarded projects during the Year with significantly narrower profit margins as compared to FY2022.

Slow recovery of the E&M industrial market in Macau during the Year, especially for the project tendering from the entertainment and resorts sector and public sector, has resulted in sluggish demand for E&M engineering services in Macau.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross margin for the years ended 31 December 2023 and 2022:

	2023		2022	
	Gross profit *MOP'000* **(Audited)**	**Gross margin** *%*	Gross profit *MOP'000* (Audited)	Gross margin *%*
E&M engineering works	**7,410**	**5.9**	22,685	16.3
Maintenance and repair services	**(26)**	**(0.7)**	2,393	68.9
	7,384	**5.8**	25,078	17.5

For the Year, the Group recorded a gross profit of MOP7.4 million (2022: MOP25.1 million) and gross profit margin of 5.8% (2022: 17.5%), which represented a year-on-year decrease of 70.6% and 11.7%, respectively, primarily attributable to (i) a decrease in the number of awarded projects during the Year with significantly narrower profit margins as compared to the year ended 31 December 2022; (ii) more stringent cost control by the Group's clients due to the economic downturn which has led to increasing difficulty in negotiation and bargaining of terms of variance orders and a reduction in the prices charged and hence, profit margins, for the variance orders during the Year; (iii) slow recovery of the E&M industrial market in Macau during the Year, especially for the project tendering from the entertainment and resorts sector and public sector, which has resulted in sluggish demand for E&M engineering services in Macau; and (iv) due to the above factors, the revenue from certain projects with low profit margin was not able to cover all the associated fixed costs and salaries of the Group. However, the Group still strives to be socially responsible and with a view to maintain its competitiveness and capability, the Group has maintained its existing workforce without any staff redundancies during the Year.

Other income

Other income increased by MOP2.0 million to MOP3.8 million (2022: MOP1.8 million). The increase was primarily attributable to the increase of interest rate and the fixed deposit principal.

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

The impairment losses in trade receivables and contract assets were MOP0.1 million for the Year (2022: reversal of MOP0.1 million), the provision for impairment losses has increased for the Year as a result of the higher receivables risk being noted from global market. The Group applied a simplified approach to measure expected credit loss ("**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 decreased by MOP1.2 million to MOP14.9 million for the Year (2022: MOP16.1 million). The decrease was mainly due to the saving in professional fee of MOP1.2 million.

Income tax credit (expense)

Income tax credit recorded for the Year amounted to MOP 44,000 which was attributed to the written-back of the overprovision of tax payable of MOP 78,000 for the Year. In FY 2022, income tax expense amounted to MOP 1.2 million, which was resulted from the provision for current tax of MOP 1 million and provision of tax liability for prior years of MOP200,000.

(Loss) profit and total comprehensive (expense) income for the year

The Group recorded a loss for the Year of MOP3.8 million (2022: profit of MOP9.3 million) 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 and its savings.

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 2023, the Group had net current assets of MOP179.6 million (2022: MOP189.6 million). The current ratio of the Group at 31 December 2023 was 5.3 times (2022: 6.9 times).

The Group has maintained a healthy liquidity position. As at 31 December 2023, the Group had total bank balances (including short-term bank deposits and pledge bank deposits) of MOP141.8 million (2022: MOP119.8 million). The Group's bank balances were mainly denominated in MOP and HK$.

As at 31 December 2023, the Group had bank mortgage borrowing of MOP12.8 million (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 6.2% (2022: 6.2%).

As at 31 December 2023, the Group's share capital and reserves amounted to MOP5.2 million and MOP200.3 million, respectively (2022: MOP5.2 million and MOP209.6 million, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions, assets and liabilities are principally denominated in HK$ and MOP. As at 31 December 2023, 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

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

The Group had no future plan for material investments or capital assets as at 31 December 2023.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had outstanding performance bonds of MOP1.2 million (2022: MOP5.4 million) which were secured by pledged bank deposits of MOP42,000 (2022: MOP1.6 million) and a property with carrying amount of MOP16.6 million (2022: nil). The Group has obtained total credit facilities of MOP98.8 million (2022: MOP98.0 million) and this credit facilities were secured by the promissory notes of approximately MOP154.0 million (2022: MOP153.2 million).

As at 31 December 2023, the Group had a bank mortgage borrowing of MOP12.8 million (2022: MOP13.3 million) secured by an aforementioned property.

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

COMMITMENTS

As at 31 December 2023 and 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 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 2023, the Group had 65 (2022: 61) employees in Macau, comprising 47 Macau residents and 18 non-Macau residents (2022: 42 Macau residents and 19 non-Macau residents).

The Company has adopted a share option scheme (the "**Share Option Scheme**") 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 2023, no share option had been granted under the Share Option Scheme.

PROSPECTS

The post-COVID market appears to have mixed sentiment. The seemingly favourable external and internal factors have yet to bring material benefits. The reopening of the borders with Mainland China and the renewed casino licenses have given the market a much-needed boost. That optimism, however, has not yet turned into business transactions either. Both the government and private sectors have remained prudent in embarking on project initiatives. The Group expects to see a significant belated rebound in around mid to late 2024. With a solid foundation and in a stable financial position, the Group is well-poised to welcome a thorough economic recovery and it is on its way to recover the business in general. This is why the Group in general remains cautiously optimistic about the market and the E&M industry in Macau. Embracing the future, it will take initiative to explore potential business opportunities and lead the market on the road back to normality.

As a leading player of the E&M industry in Macau, the Group has already seized several government projects, which are set to bring revenue for the year ending 31 December 2024. Moreover, the Group has been receiving more tender invitations from casinos, hotels and resorts for the projects to be undertaken in the second half of 2024. Hence, it is optimistic about securing more new projects and receiving various opportunities in the foreseeable future.

Regarding internal management, the Group has always upheld a prudent approach. It has in place stringent measures and policies to keep all costs well under control, while maintaining a stable workforce. The Group is strategically positioned and fully prepared to take on new challenges and seize new opportunities when the market revival starts gathering pace.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2022: HK1.08 cents per ordinary share of the Company (the "**Share(s)**").

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The 2024 annual general meeting of the Company (the "**AGM**") is scheduled to be held on Friday, 24 May 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 17 May 2024 to Friday, 24 May 2024 (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, 16 May 2024.

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 as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in force during the year ended 31 December 2023 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) (the "**CG Code**") as the basis of the Company's corporate governance practices.

During the Year, the Company has applied the principles of good corporate governance and complied with the code provisions set out under Part 2 of the CG Code except for the deviation from code provision C.2.1, which 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 Company Limited (a direct wholly-owned subsidiary of the Company) 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 set out in Appendix 10 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) (the "**Model Code**") 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 paragraph 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 Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the CG Code. 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 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 2023 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 2023 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 (the "**Shareholder(s)**") and will be made available on the above websites in due course in accordance with the Listing Rules.

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, business associates and other professional parties for their continuous support to the Group throughout the Year.

(2) PROPOSED AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION

The Board proposes to put forward to the Shareholders for approval at the AGM a special resolution to amend the existing second amended and restated articles of association of the Company (the "**Existing Articles of Association**") and to adopt the third amended and restated articles of association (the "**New Articles of Association**") in substitution for, and to the exclusion of, the Existing Articles of Association.

The proposed amendments to the Existing Articles of Association (the "**Proposed Amendments**") are for the purposes of, among others, (i) updating and bringing the Existing Articles of Association in line with the latest regulatory requirements pursuant to the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023 and the relevant amendments to the Listing Rules which came into effect on 31 December 2023, mandating the electronic dissemination of corporate communications by listed issuers to their securities holders; and (ii) making certain minor housekeeping amendments and other consequential changes to the Existing Articles of Association.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the Existing Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the New Articles of Association will be published on the website of the Stock Exchange and the Company.

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

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

Macau, 21 March 2024

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.